

WHAT WE LEARNED

# FACEBOOK ADVERTISING

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AppSumo's Insights & Tips  
Based on \$5 Million Adspend



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# INTRODUCTION

## Is Facebook Advertising Dead?

“If you can spend \$1 on Facebook ads and generate \$2 of return, you don’t need to worry about money ever again.”

I’m not sure who said it, but it was probably some random guy trying to sell a Facebook advertising course.

The problem is that you’ve tried it.

You’ve done everything to make Facebook advertising work — but none of your attempts have succeeded.

Any of these sound familiar?:

- Boosting a post (BIGGEST mistake ever! Don’t worry — more on that below)
- Writing a long-form ad with a brightly colored image
- Running ads to a 2% lookalike audience with the interests set as digital marketing and Garv Vee, while excluding the 1% lookalike audience and your existing website visitors over the past 90 days

I’m guilty of that last one... And it quickly became a mess.

We’ve all been there.

As the cost of getting quality leads from Facebook gradually increases (gone are the days of the \$1 lead), most marketers are asking ONE big question.

## Is Facebook Advertising Dead?

Short answer: IT’S NOT! Let me tell you why.

Facebook advertising has changed a ton since its launch in November 2007. That was before Facebook acquired WhatsApp, before Apple removed the headphone jack, and before the short life of the Libra digital currency.

Heck, it was even before the birth of AppSumo.

If you're diving headfirst into Facebook advertising with the hope of generating endless \$1-leads and making \$2 out of each of them, you (and your bank account) will be sorely disappointed.

"But that's how people got rich in the OLD days!"

It's not uncommon for entrepreneurs and marketers to come to Facebook with a pocketful of dreams, get crushed, and then declare the death of Facebook advertising.

What they don't know is that Facebook advertising still works... but only if you do it right (we'll cover more on that below).

But first, let's dive a little deeper on why some marketers think Facebook advertising is dead...

## Why Marketers Think Facebook Advertising Is Dead

If the following reasons apply to you, then this book is written just for you.

### 1. Facebook Advertising Is Too Expensive

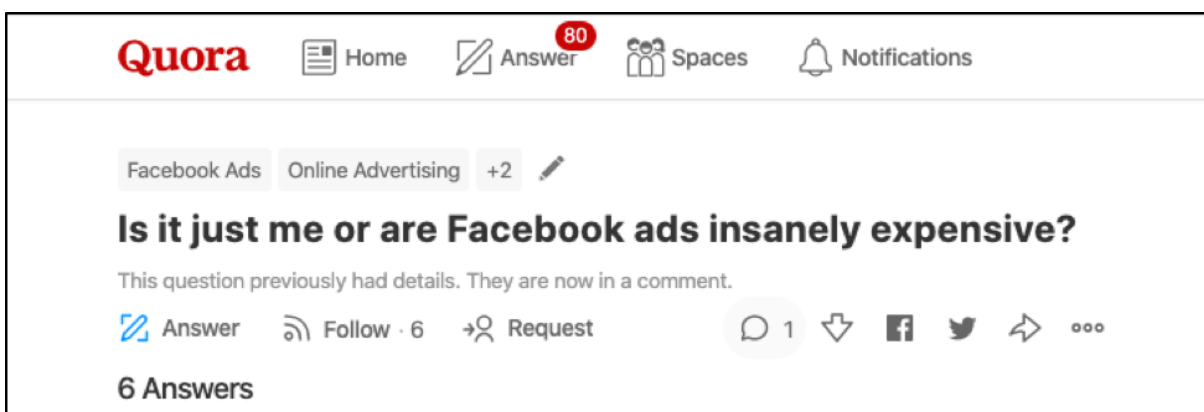
Here's the truth: Everything is relative.

When someone tells you Facebook ads are expensive, it means one of two things:

- They don't have enough of a budget to even get started
- They don't see enough ROI to make their efforts worthwhile

As more and more advertisers hop onto Facebook, targeting the same audience for leads, campaigns can get expensive quickly.

Just look at this question I found on Quora:

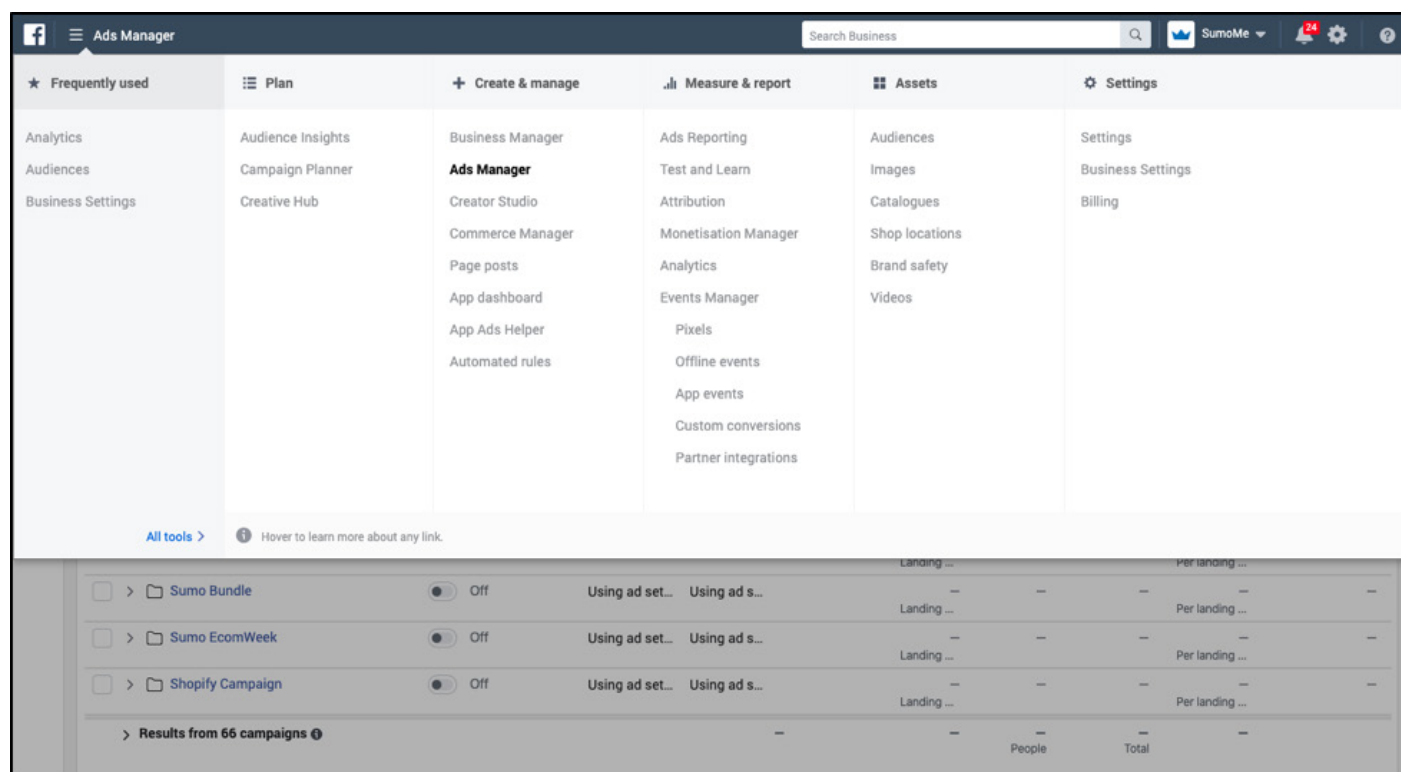


Besides competition driving up the cost per result, it's also way too easy to spend a lot of money on Facebook ads fast — especially when you have no idea how to do it right.

When I say “doing it right,” I mean systematically experimenting, testing, and optimizing your ads — we’ll go into detail on that later.

## 2. The Backend Platform Is Hard to Understand

Just look at this...



There are 34 links in this one navigation menu alone. Yes, I counted.

And there are more when it comes to actually creating an ad, like:

- Setting the objective
- Targeting the right audience
- Creating the ad creatives and finding which one works
- Optimizing the bidding costs

As much as Facebook tries to make it easy, it's not exactly a beginner-friendly platform.

But don't let this discourage you. Once you learn the tricks of the trade, the Facebook Ad Manager is more simple than you think.

### 3. Your Ads Just Aren't Converting

Okay... Maybe you've got an unlimited budget (so getting started isn't the issue).

And you know the ins and outs of the entire platform.

Then why aren't your ads converting?

At this point, it doesn't matter how deep your pockets are. You're only going to give Facebook money with no results to show for it.

It's not a matter of pulling a lever or two when the ads don't convert. There are many contributing factors, including:

- Misunderstanding of the target audience
- Misalignment between your ads and your landing page
- Creatives that failed to grab attention
- Misleading headlines

Or maybe you're just not testing enough. Is it the creatives? Is it the copy? Is it the targeting interest?

What now?

Okay. We're not here to completely push you away from Facebook advertising (unless Facebook ads aren't right for you yet).

We're here to help.

## How Far AppSumo Has Come

You see, AppSumo didn't start running Facebook ads until 2017.

And like most businesses, it wasn't easy when we first started.

We allocated a budget for paid advertising, decided to spend it on Facebook, and started creating audiences and ad creatives.

But we didn't know much about how Facebook ads functioned or how we would make it work for us.

Not all hope was lost.

In time, we started to see the growth in ROAS (return on ad spend). Check out the growth from 2017 to now!



With the help of Jack Paxton from [Top Growth Marketing](#) (his digital marketing agency has spent more than \$150 million on paid ads), we now spend about \$100,000 on Facebook every month and get an ROI of 800-1000%.

(Of course, as you can see in the screenshot above, this fluctuates depending on what promotions and deals AppSumo is running at the time.)

We want to help entrepreneurs, marketers, and agencies make Facebook advertising work for their businesses.

Get ready, because we've packed a ton in this book:

- How AppSumo approaches Facebook Advertising
- How to find out if Facebook Advertising is right for you
- The ONE thing to get right before you start investing in paid advertising
- Steps to start running Facebook ads even when you have a small budget
- Lessons we learned spending \$5 million on Facebook

And so much more...

Ready to dive in? Let's DO IT!

# CHAPTER 1

## HOW TO KNOW IF FACEBOOK ADVERTISING IS RIGHT FOR YOU

### Three Questions to Find out If Facebook Advertising Is for You

The truth is that running paid advertising on Facebook is not for everyone. Some brands are better suited to influencers, SEO, email or content marketing.

To find out if Facebook advertising is right for you (and your business), we've answered the three most common questions from marketers who are new to Facebook ads.

### Q1: What Types Of Products Work On Facebook And Instagram?

It's important to know who your customer is — this will help create your customer avatar. One of the main categories of this avatar is where your potential customers “hang out” online.

For example, Facebook usually skews towards an older demographic, while Instagram skews younger. Understanding where to find your customers is crucial.

Here are some industries that Top Growth Marketing has seen work over the last \$150 million spent on paid ads:

**Facebook**



Kitchen appliances and gadgets      Infomercial type products      Kickstarters or Indiegogo products      Electronics / tech (lifetime deals)



B2B lead gen



Medical and beauty (for aging and health)



Events (using the Facebook event ads)



Barcode deal offer ads

## Instagram



Apparel, fashion, & swimwear



Beauty Products (for looks and cosmetics)



Influencer products



Photography products



Short-term trend products (fidget spinners, etc.)



Brand focused companies



Travel services

### Works on Both



Local  
business



Skincare



Apparel  
and Shoes

If your niche is not covered in this list, don't worry. We just put this together as some examples on past experience. It's still worth testing your product out because every brand is different.

Run a campaign that has the same audience targeting and ads (creative and copy). Then see which channel returns better results by looking at Cost Per Action (CPA), Return On Ad Spend (ROAS), Clickthrough Rate (CTR), Cost Per Click (CPC).

When you understand where your customer is, you can adjust copy and creative per platform (e.g. beauty products have anti-aging skincare lines that you can test on an older crowd like Facebook as well as make-up for the younger crowd on Instagram).

## Q2: When Should You Start Paid Advertising?

Running ads can be used effectively at most stages of a company, but the outcomes will be different.

### 1. Startups and New Brands

For example, if you're just getting started, you should be using paid ads to validate your product. Don't expect a good ROI on your ad spend, the goal of these campaigns is to gauge whether people are interested in your product.

So you would want to test different aspects to find out what sticks and what doesn't. Some things you should test are:

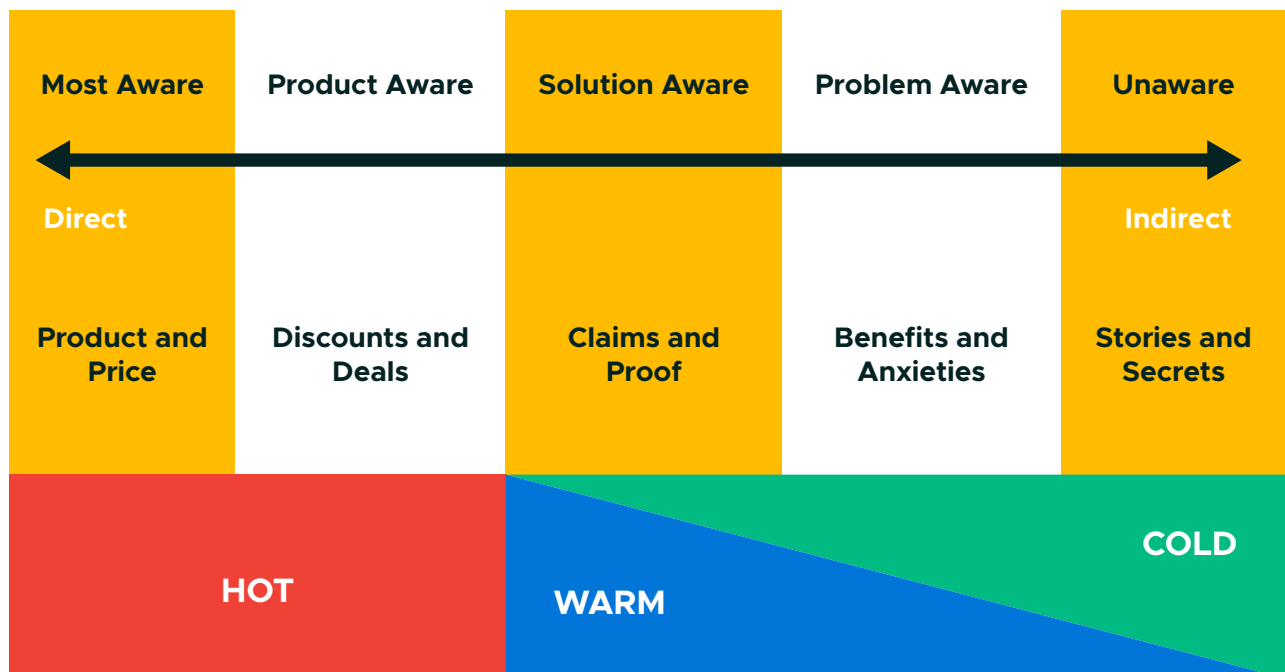
- Offer
- Pricing
- Product colors
- Product functionality or use case
- Customer type
- The hook (What problem would this product solve? For example, toothpaste. "Do you want minty fresh breath?" vs. "Make your smile whiter!")

## 2. Brands Looking to Scale

This is when you would want to start at \$50/day and use this budget to actually scale your company in a profitable way. The goal is to use paid ads to get your product in front of new people and push them down your sales funnel.

What this means is you have a balance of prospecting (cold traffic) and retargeting (hot traffic). You manage your account to balance this ratio of cold and hot traffic to optimize towards your ROAS.

### Eugene Schwartz's "Five Levels of Awareness"



Source: Great Leads by Michael Masterson & John Forde

We recommend that you only attempt this once you have a good product (tested in the market), understand your customer, have at least a few hundred site visitors a week and organically earn over \$4,000 a month.

Cash flow will be important. You don't want to jump in too early and spend all your money on a product that isn't proven to sell or be in demand.

### 3. Established Brands Trying to Get a Market Share

The third stage occurs when a company has a different goal and the brand is looking for ad recall, market share, and larger reach.

These are companies like Nike and Apple who are not looking for a ROAS, but a larger reach and ad recall on their “brand” — not necessarily their products.

It can take consumers months to make a purchase and these larger brands want to be fresh on their their minds whenever that happens.

Larger brands usually have too many overlapping channels to properly measure ROI per ad, campaign or channel. Instead, they analyze higher level metrics.

No matter where you are in your business, there is a purpose and use for paid ads in your marketing strategy.

Just make sure you understand what your goals are and set realistic expectations.

### Q3: What Should Be My Minimum Ad Spend?

\$50/day is a good place to start for brands looking to grow with paid ads. This gives you enough money to cover remarketing (a “MUST” when you start running ads) and still leaves a little left over for prospecting.

Your budget will also depend on whether you have any traffic to remarket or retarget.

If you're just getting started, I highly suggest focusing your time and money on improving your product, getting customer feedback, and making sure your funnel or website conversion rate is good.

A good way to start collecting feedback is to create a post-purchase survey and add it to your email drip. This also helps you pinpoint those pain points in your copy.

We suggest 3% plus for products under \$200. The more expensive and higher your profit margin, the lower your conversion rate can be to turn a profit.

If you meet those requirements and have a proven product, plus a bunch of feedback from *people you don't know* (no, Mom's opinion doesn't count), THEN you can start spending money on ads.

Remember that you still need to set these ads up correctly, NOT boost them from your mobile app or newsfeed.

These campaigns are usually not very scalable, which is why we usually suggest waiting until you have the budget to spend \$50/day.

If you are looking to spend a small amount, there are 3 implementation options.

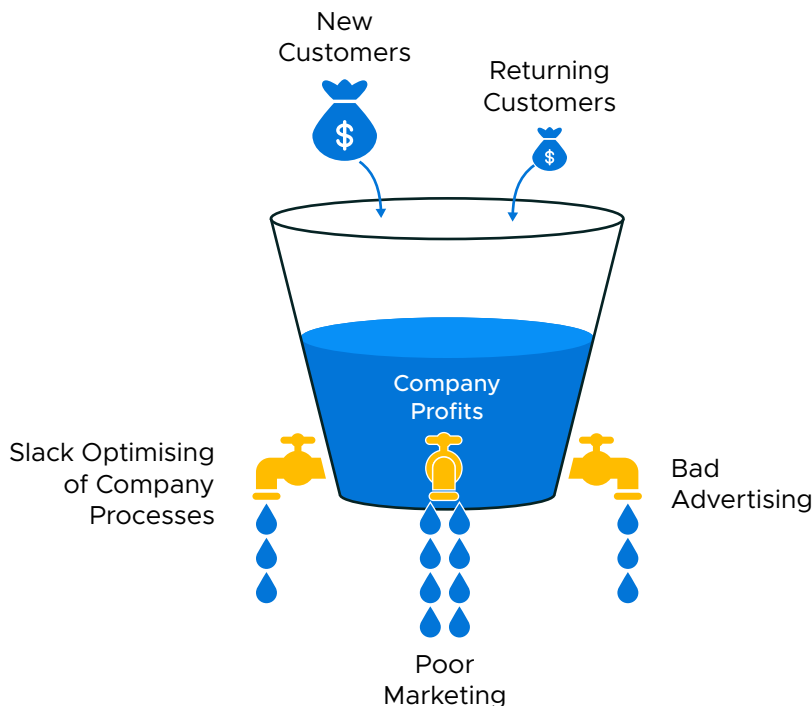
1. Create a \$5/day campaign that you add all your blog posts to, then target all your remarketing audiences. This consists of website visitors and social engagements (Facebook & Instagram)
2. Create a \$5/day campaign targeting people who have added a product to their cart but didn't check out.
3. Create a \$5/day campaign that has all your best blog posts, then target interests closely aligned with your target customer.

If you are wondering why we didn't suggest [look-alikes](#), it's because you need to have an audience of about 500 to 1000 people, minimum, to create an effective look-alike.

## Remember: Don't Run Ads Before You Get This Right

Now, there's no point trying to fill a leaky bucket (i.e. sending traffic to your website if it doesn't convert).

### Leaky Bucket



Too many brands put the cart before the horse when it comes to paid advertising. Just because you can run ads on your website doesn't mean it's a good idea.

There's no point paying to send thousands of visitors to your website if your product hasn't even been validated and your website conversion rate is not on par!

The benchmark for this varies from store to store, but if your product is under \$250, try and get above a 3% conversion rate before you start trying to run ads.

Ads will never be as targeted or convert as well as organic branded searches. That means someone is actively and organically searching for your brand in Google to come and buy from you.

If your conversion rate is already low when it comes to people looking and wanting to buy your product...

...the chances of converting people who don't know who you are are even lower.

# CHAPTER 2

## NAILING THE FUNDAMENTALS

### What You Need to Get Right Before Running Facebook Ads

Now, let's go through some of the fundamentals. Before you run ads, you want to have a few things built and optimized first.

#### Tips #1:

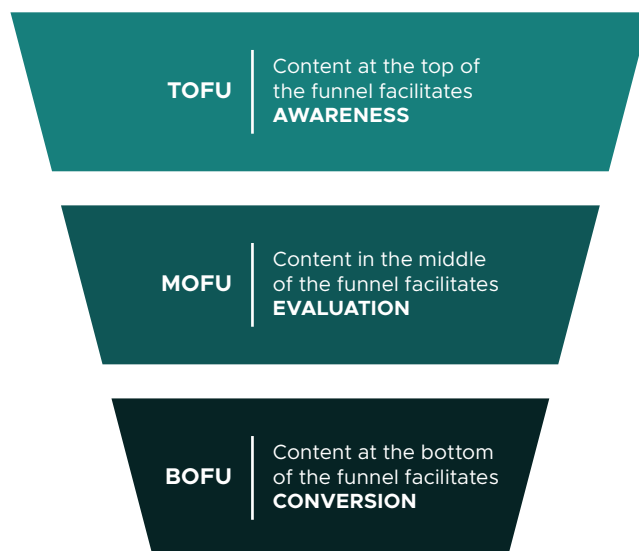
### Building Your Funnel from the Bottom Up

Understanding the funnel is important. If your website converts at 3%, it means that 97% of the people who visit your website aren't buying.

On top of that, new users convert at half the rate of returning visitors. What this means is that you shouldn't expect people to convert the very first time they see your brand or visit your website. Unless your product is an impulse buy, it's just not going to happen.

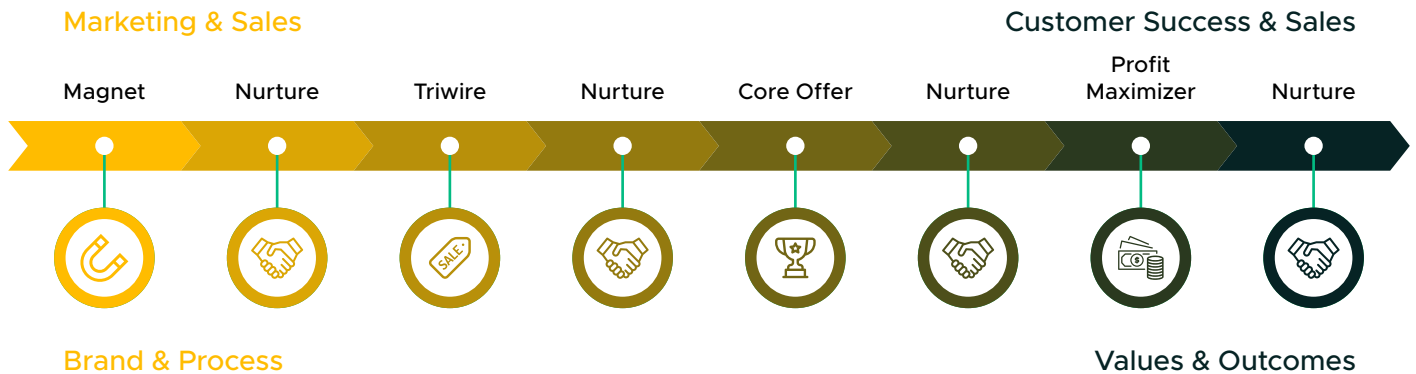
That's why you need to understand the concept of the top and bottom of the funnel.

#### Content Marketing Funnel



As you attract people to your brand, you'll want to walk them through a journey/story. This story looks a little like this.

## CUSTOMER JOURNEY



**NOTE** - this is a little more in-depth than most brands need, but you get the idea now. You need to capture attention, show value, then push for the conversion.

The goal at the top of the funnels (prospecting or cold traffic) is to get someone to engage, click, or make a micro commitment. Optimize these campaigns to share ratio, Cost Per Lead (CPL), CTR and CPC.

The bottom of the funnels (remarketing or hot traffic) aims to drive the conversion and ROI. Optimize these to the conversion and focus on CPA and ROAS.

The section below is going to dive into these two types of campaigns and show you exactly what you need to set up.

## Tips #2:

### Understanding Remarketing Better Is Key

Brands tend to undervalue follow-ups. As mentioned before, the first time someone visits your site, they're more than likely not going to buy. So make sure you follow up with them using remarketing.

This can be done a couple of ways:

#### 1. Remarketing Ads

- a. They visited the site but didn't purchase
- b. They looked at a product and added to cart
- c. They added a product to cart but didn't purchase
- d. Include discounts the further along they are on their journey

#### 2. Social Engagement Remarketing

- a. They watched a % of your video but didn't go to your website
- b. They engaged with your Facebook content but didn't visit your website
- c. They engaged with your Instagram content but didn't visit your website

#### 3. Email Remarketing

- a. They received an email but did not open it
- b. They received an email, opened it, but didn't visit your website

All of these are Facebook ad campaigns that you can set up to make sure people are reminded to come back once they find out about your brand.

Remember that the goal of remarketing is to get the conversion, so you can use more product and value focused (i.e. pushy) ads.

## Tips #3:

### Find the Right Things to Test (to save Your Money)

If you're on a small budget, you have to plan out your tests and make sure they're actually worth testing. On smaller budgets, testing takes a lot longer, so think about your test and evaluate whether the end results will really make a difference.

For example, if you're marketing headphones, you'd want to test something like lifestyle images/video (which includes people and product use) compared to product-focused images (that is, an image of the product only or website shots).

This would determine what your potential buyers are receptive to when seeing ads.

Don't waste your money testing two different colors if you're on a smaller budget. All you have to do is look at your store data and just use the most popular color and style in your ads. It's not worth spending your limited budget testing something you already know the answer to.

On a larger budget, you could test out different variations since you have the time and resources. People might respond better to pink headphones on Instagram and green on Facebook.

So think about your test and ask yourself a few questions.

1. Do I already have information for this test? Think Google Analytics, store/purchase data, etc.
2. Will the results of this test have a large impact (e.g. a pricing or offer test will have a much larger impact on revenue, than a color test)?
3. Can I afford to run this test for 2-3 weeks to collect enough data (100 clicks)?
4. Do you have a large enough dataset to draw a definite outcome? Don't make decisions based on a "lucky" conversion in 3 hours.

# CHAPTER 3

## YOUR FACEBOOK ADVERTISING STRATEGY

### The Appsumo Process for Creating and Running Facebook Ad Campaigns from Start to Finish

There's a lot to take in from this guide but if you've gotten this far, you're ready to start scaling. As you can see, strategy is only a portion of the process for running a profitable ad account.

Most of the topics, tactics, and strategies covered can be applied to Facebook, Google, Snapchat, LinkedIn, etc. Each channel will have slight adjustments, but if you understand the fundamentals, you're 80% of the way there.

This section is going to take you behind the scenes of the AppSumo Facebook account. It will show you exactly how we set up ads and explain the account structure.

#### Step 1: Identify the Customer Avatar

The first step is to understand the customer, like we've mentioned above. For AppSumo, we have multiple deals and with that comes a wide range of "avatars."

Before we create the ads, we need to understand the product and who would want to purchase this.

How would it make our customers' work life easier or cheaper?

The main pain points for AppSumo customers include price and time. So, how can we save our customers time and money?

Our job in the ideation stage is to think of how we can convey this through image, video, and text.

For example, we normally do this through ad copy using slogans like:

- Save money on software subscriptions and get lifetime access for a one-time payment
- All the best tools to grow your business for a one-time payment
- Never pay full price for software again


- 1 Million+ hustlers helped, join them!
- Get access to exclusive deals for entrepreneurs

You can see how these appeal to saving money on monthly software fees, which is our target market's goal.

It doesn't have to be complicated, either.

As you can see below, bullet points can be used just as effectively to identify your "avatar" — AKA your target customer.

## CUSTOMER AVATAR 01



### Funnel / Customer Journey

- Cold -
- Warm -
- Hot -

### Messaging & Creative

- Why would they want this product (customer goals/examples/proof/credibility)
  -
- Why wouldn't they want this product (pain/fear/objections)
  -
- Why would they watch/read our ad (hook/value offering/result)
  -
- CTA
  -

### Targeting

- Interests
  -
- Keyword Group Ideas
  -
- Behaviors
  -
- Psychographics
  -
- Demographics
  -

After you figure out who you're trying to market to, you're ready to move onto creating the ads.

## Step 2: Develop the Creative Brief

Once we understand the product and who we will be targeting, we will want to write up a creative brief for the creative team.

This gives them a concept and specifications to create the image and video assets for the ad campaign.

Some things we like to note are the types of targeting we plan to go after, as well as the benefits, information, and features that this target marketing is looking for.

If we have past tests or data, we also provide this to the creative team, so that we can continually improve on our last creative.

<b>Target audience</b> (job titles/niche/industry etc.)	<ul style="list-style-type: none"><li>• Founder</li><li>• Entrepreneur</li><li>• Marketer</li><li>• Social Marketer</li><li>• Developer</li><li>• Sales</li><li>• PPC</li><li>• Business Owner</li><li>• Small Business Owner</li><li>• Small Business</li><li>• Medium Business</li><li>• Startup</li></ul>
<b>Key benefit/hook</b> you wish to address to get your target audience to purchase	<ul style="list-style-type: none"><li>• Trying to save money</li><li>• Trying to save time</li><li>• Trying to find new tools</li><li>• Recommended from friend or group</li><li>• Replace monthly tools with a 1-time payment</li></ul>

<p>What do you want the customers <b>to think</b> about the product? What will trigger them to purchase?</p>	<p>Providing value. Knowledge about long term benefits and overall organizational improvement and efficiency.</p>
<p><b>Examples of what worked</b> in the account before? Link.</p>	<ol style="list-style-type: none"><li>1. Top general ad: <a href="https://www.facebook.com/117319551612706/posts1638125979532048">https://www.facebook.com/117319551612706/posts1638125979532048</a></li><li>2. Targeting Social Media Coordinators: <a href="https://appsumo.com/promorepublic/">https://appsumo.com/promorepublic/</a></li><li>3. Targeting Entrepreneurs: <a href="https://www.facebook.com/117319551612706/posts/2727450113932957">https://www.facebook.com/117319551612706/posts/2727450113932957</a></li><li>4. Targeting Image Designers and Editors: <a href="https://www.facebook.com/117319551612706/post/2725240567487245">https://www.facebook.com/117319551612706/post/2725240567487245</a></li></ol>

### Step 3: Create the Ads on Facebook

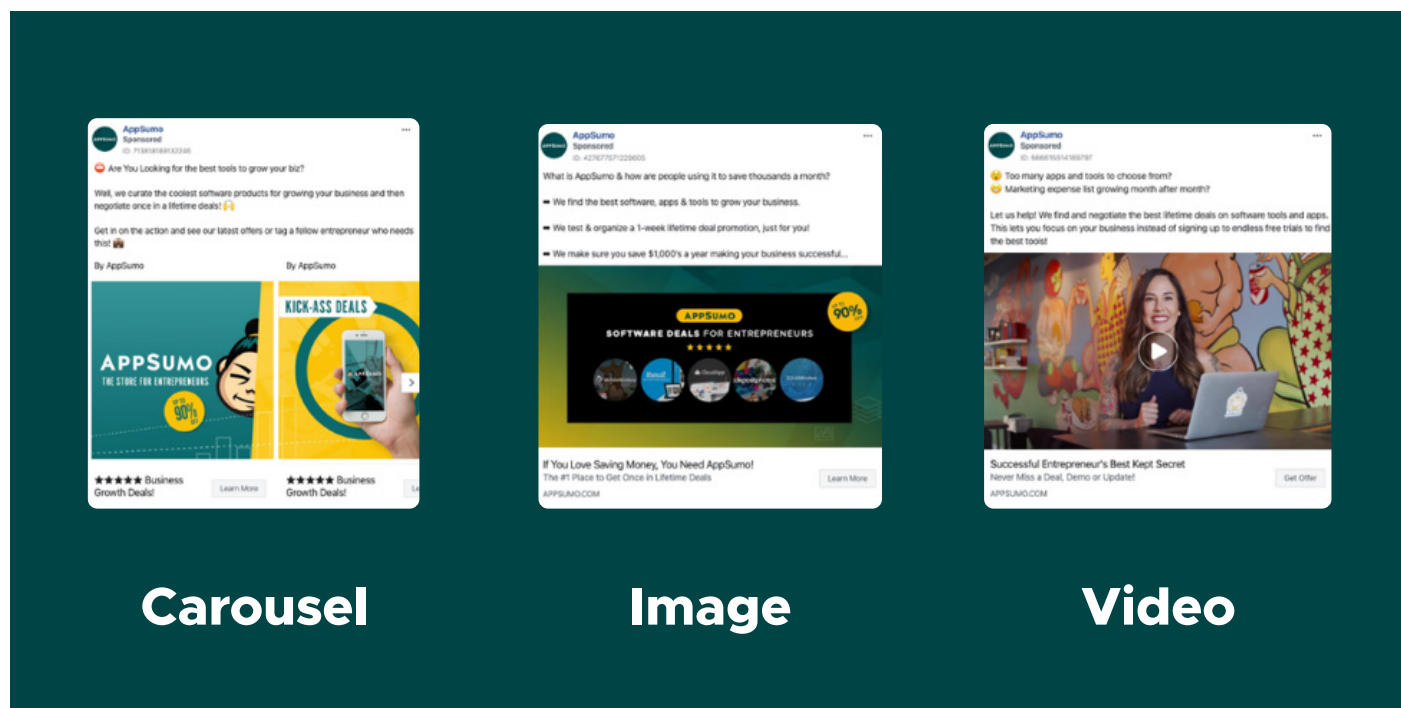
This is actually one of the easier parts of running Facebook ads. It might take a little time to get used to all of the options, but most of the time we use similar settings and setup processes.

One of the best things about Facebook is the wide range of ad types you can use.

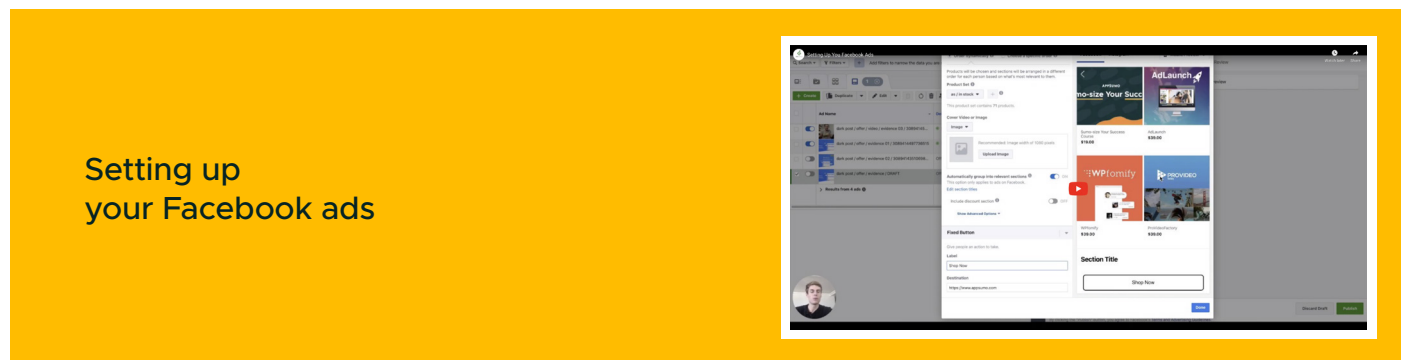
The ad types are so media rich and so much more engaging than traditional search or banner ads that used to be the default before social media sites.

A few of the ad types that we use in the AppSumo account are:

- Image
- Video
- Collection
- Carousel
- Canvas
- FB Messenger



This video goes into how to build each of these.



If you're looking for some inspiration, take a look at some of these [ad examples](#).

Also, download the copywriting ad template sheet we use [HERE](#).

## Step 4: Set up the Targeting on Facebook

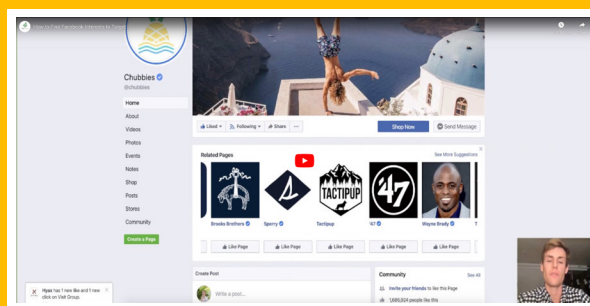
There's no right or wrong answer on this one. It all comes down to testing.

When you look at the types of audiences you can target, the breakdown really comes down to these groups.

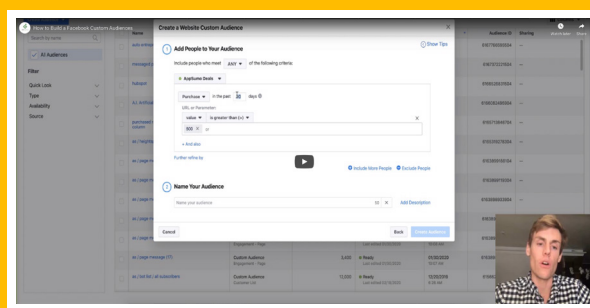
- Website interactions
- List uploads
- Social engagements
- Followers
- Interests
- look-alike

The videos below will show you a few things that will 100% improve the targeting of your ads.

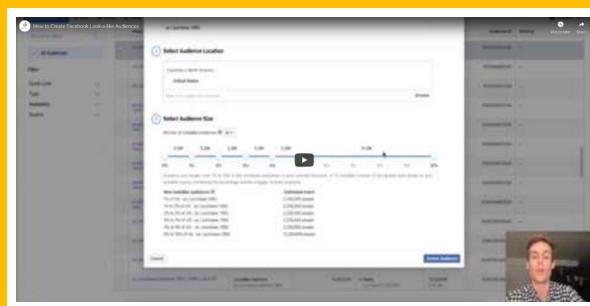
How to find interests to target and test



How to set up and create the best custom audiences



How to create and set up Facebook look-alike audiences (LAL's or LLA's)



## Step 5: Build the Account Structure

It's important to have a strategy and plan when it comes to structuring your account.

We usually plan these out in a Word doc or Google Sheet prior to building any campaigns in the Facebook ads manager.

Here's the breakdown of our strategy:

### Prospecting

- Interests (See videos on how to find these)
- look-alikes (LAL or LLA - See videos on how to make these)

### Remarketing

- Website (pageview, past purchase etc)
- Social engagements (video views, page followers etc)
- Email (opened but didn't click)
- Messenger (webinar reminder)

**HINT** - remember to set up your remarketing first.

The AppSumo account also has a third campaign type called promotional campaigns.

Promotional campaigns are usually sales or launch events that last 1-2 weeks. We create a separate campaign for these and use interests, lookalikes, and remarketing for these.

Normally, you want to avoid overlap. However, these campaigns run along the same time as our evergreen remarketing and prospecting efforts mentioned above.

We do this because the overlap is less disruptive than completely shutting down our evergreen campaigns.

We only suggest doing this for a maximum of 1-2 weeks.

A regular store would also have promotional campaigns for dates like Black Friday and Cyber Monday, Christmas, Valentine's Day, and the Fourth of July.

We try and run sales around major events with limited time offers. That way, we have a real reason to offer discounts instead of being known as a discount brand with 24/7 sales.

## **Step 6:** **Ad Bidding Options and Which to Use**

The ad platforms have simplified bidding a lot over the last 5-10 years to make it more accessible to more people.

Facebook has a great rundown of when to use which bid option.

Available Bid Strategies	Who Sets the Bid?	Available Objectives	When to Use	Benefits	Considerations
Lowest cost (auto bid)	Facebook	Brand awareness, reach, traffic, engagement (post engagement, page likes, event response), app installs, video views, lead gen, messages (excludes sponsored messages), conversions, product catalog sales	Want to spend full budget Need to understand what bid/cost to use for other bid options	Hands-off: Facebook manages bidding Reach all lowest cost opportunities while spending your budget	No control over your cost Costs can rise as you exhaust least expensive opportunities or as you increase budget
Bid cap	Advertiser	Reach, traffic, engagement (post engagement, page likes, event response), app installs (installs, events, link clicks, video views), video views, lead gen, messages, conversions, product catalog sales	Want to set a max bid across auctions to control cost and reach as many users as possible at that bid	Maximize volume at specified max bid Can increase competitiveness against other advertisers targeting similar audiences	Need to spend more time managing bids to control cost Costs can rise as you exhaust cheaper opportunities or increase your budget May not spend full budget Bid is not the cost you'll see in reporting
Cost cap (100% availability)	Facebook	Traffic, app installs, event responses, lead gen, offsite conversions, and catalog sales with the following ad delivery optimizations: landing page view, link clicks, page likes, post engagement, replies, video views, product catalog sales w/ link click an offsite conversions	When you want to maximize cost-efficiency When you need to keep cost within a specific threshold	Maximize conversion volume within your acceptable CPA/CPI Minimize your cost when possible without manually adjusting your bids	Cost may rise as you run out of cheapest opportunities Learning phase requires more aggressive exploration May not spend full budget once you hit the cap
Target cost	Facebook	Traffic, app installs (installs, app events, video views), lead gen, conversions, product catalog sales	When you want to maintain a consistent cost	Cost predictability Get the most conversions possible at the target cost	Lose out on all cheaper results May not spend your entire budget
Value optimization with min ROAS	Facebook	App installs, conversions and catalog sales	If ROAS is the primary measure of success and you're able to pass back transaction values to our platform	Focus campaign performance on the bottom line and ROAS Get the most opportunities while maintaining minimum ROAS	Specific to value optimization Setting the benchmark too high may lead to under-delivery
Highest Value	Facebook	App installs, conversions and catalog sales	Want to get the highest ROAS, want to spend full budget and when unsure of min ROAS/bid amount	Hands off; Facebook manages bidding Achieve highest value results whiel spending your budget	Specific to value optimization

We usually only adjust the bidding option for a few reasons:

1. **To increase the reach, impressions, and frequency in remarketing.** We know that people are ready to convert, so we aren't looking for the lowest cost per conversion. We just want to show our ads to as many people in this audience as possible.

This can also be done by changing the campaign type from conversions to traffic, video views, or engagement. It's worth testing out multiple campaign types to see which gives you the best results (results = reach & ROAS)

2. **To outrank and win all impressions** if we find an audience converting really well. This can be really useful in messenger ads or placements with limited inventory.
3. **To keep CPA's low when you are not looking to scale.** Most of the time, you'll set a CPA target and your ads will not run. That's because Facebook claims it can't find anyone who would convert for that amount. Raise this target by \$1/day until it starts spending. This is not a very scalable strategy, but great for people with more time than money.

## Step 7: Select the Timeframe

A common question is how long you should run campaigns. It's a fine line between spend, frequency, and ROAS.

You're trying to find the optimal time frame where these three factors are at their best.

Prospecting can usually run longer since the audiences are larger and you don't hit saturation or ad fatigue as quickly. But the ROAS is usually lower since remarketing audiences are much more likely to convert than cold traffic.

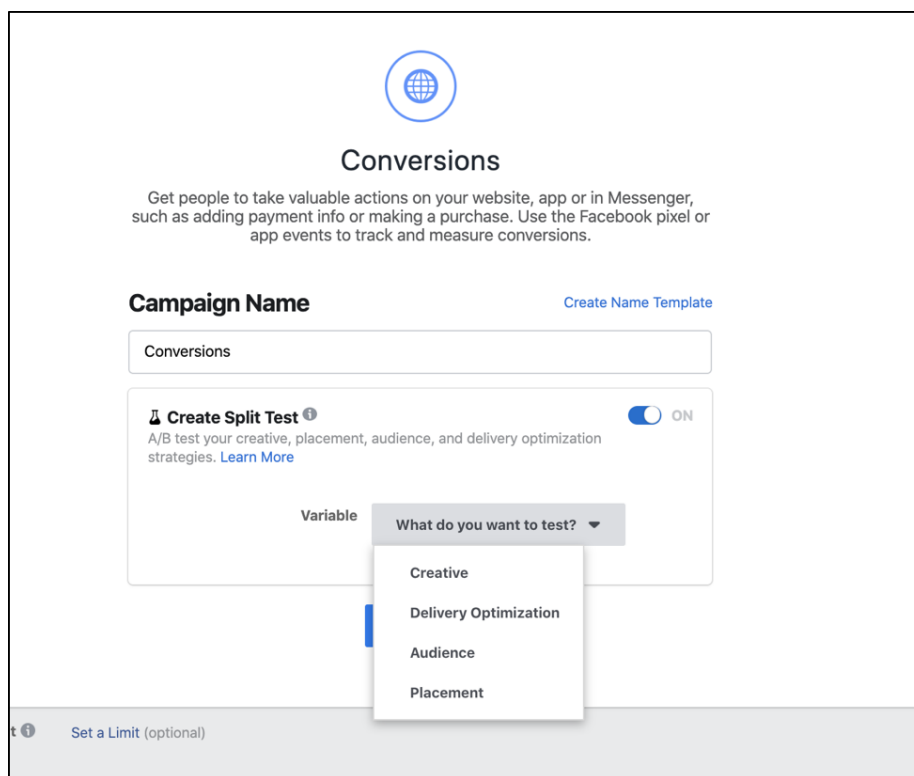
## Step 8: Testing and Optimizing

When it comes to testing ads, you need to make sure your tests are fair. So make sure you give them enough time and budget to run.

We aim for 1-2 week tests. This gives us enough time to collect data and gives our ads a chance to perform.

You can do this in a regular campaign, set up a split test, or set up a dynamic ad.

Lately, we've started to lean more towards the dynamic ads as the reporting is a little better — you can compare with multivariate testing instead of just A/B split tests.



Choose the “creative” option when doing an ad test to find the best image, video, and copy to scale.

## Bonus #1: Understand Attribution

Take a look at this conference recording that goes into the subject of attribution. It covers exactly what attribution is and why it’s important.

Download the slides to follow along [here](#).

The key takeaways from this are:

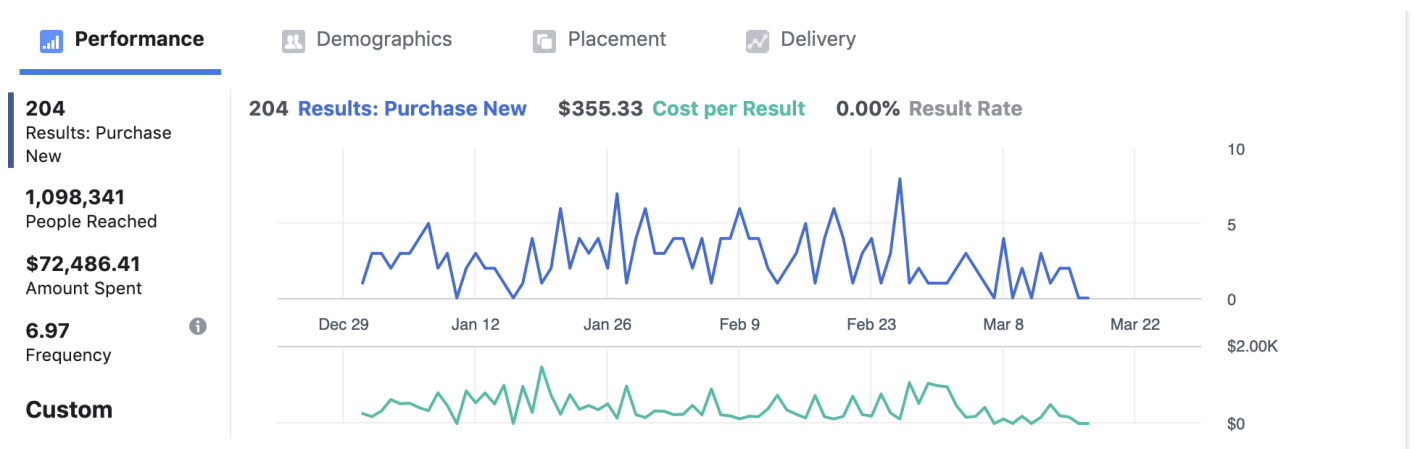
- Ad platforms like Facebook use last-click attribution
- Last-click favors remarketing and prospecting
- You need to understand which ads and campaigns are driving first click and which are driving last click
- The positional model is the easiest to start with for a general idea of which channels work the hardest

## Bonus #2: Running Evergreen Campaigns

These campaigns are fantastic because they're intended to run week after week. These are the campaigns that really scale accounts.

Typical evergreen campaigns consist of remarketing abandoned carts or a bundle of your top interest targets.

Some campaigns in the AppSumo account have been running for over a year.



Evergreen campaigns are so powerful because they give Facebook so much time, data, and money to optimize and find you the best customers.

# CHAPTER 4

## KEEP YOURSELF ON THE RIGHT TRACK

### Four Ways to Know When to Move on and When to Scale

Investing your money into paid ads is not always a good idea. There are a few scenarios that you'll want to avoid. We usually suggest taking a more risk-averse approach when deciding to run paid ads.

Don't fall into the trap of thinking that a couple of Facebook ads will turn your business around and make you a millionaire in six months.

Below are a few ballpark benchmarks to help you determine if you're on the right track.

### 1. Keep Testing and Continue to Iterate

Testing is one of the most important steps in building and scaling a business. You'll have a hard time getting everything right the first time.

Look at any successful entrepreneur. It took them years to develop their skills, network, and understanding of their customer and niche.

So, start testing on your own through remarketing, and then prospecting. If the results are not good, hire some help. You should be able to tell from early tests if your approach is working or not.

We usually suggest that brands spend about \$2-4k if their product is under \$100. If that's too much, save up before starting.

If the results are still not good, decide whether Facebook and Instagram are even a good fit for your product and marketing strategy.

## 2. Constant Progress — Are Your Stats Improving?

Keep an eye on trends. Did you just get lucky when you first launched a campaign or account? Are your numbers improving week after week? What common trends are you seeing?

You do not need to go from \$0 spending to \$10,000 within the first month.

If you're trending in the right direction, keep going. If you're trending in the wrong direction, stop and reassess.

## 3. Benchmarking Your Ads Results

It's a good idea to get a few rough benchmarks as goals for your brand, but don't get too obsessed with comparing your business to others.

A few basic benchmarks to start with are:

CTR	=	> 1%
CPC	=	< \$2
ROAS	=	> 1.5 (aim for at least over break even including COGs)
ROAS	=	> 2 (for single product stores)

## 4. Watch the Share Ratio

This is a little bit of extra work, but the reason social media is such a scalable channel is because of the share.

**Share** in the media buying world means “free impressions” — kind of like a “buy one, get one free” offer.

So you'll want to go to your reports section and create a custom calculation.

### Create Custom Metric

**Name** 89

Share Ratio

**Format**

Percentage (%)

**Description - Optional** 350

Describe this metric

**Formula**

+ - × ÷ ( )

Post Shares + Reach |

**Metric Availability**

This Report Only

i When you build a custom metric, Facebook only performs basic mathematical calculations based on your formula to deliver your result, and does not otherwise add to or modify the metric.

**Performance** >

**Engagement** >

**Conversions** >

**Custom Conversions** >

Cancel Create Metric

You can choose to do this using reach or impressions.

Because people can share something multiple times, impressions are a more “accurate” measure. However, I like to use reach and get a closer representation of one post per person and per share.

If someone shares multiple times, it’s probably not that beneficial to your brand.

For ads, we try and aim for a Reach Share Ratio above 0.30% (get above a 0.50% at scale and you’re killing it — SCALE IT!)

Ad Name	Campaign Name	Amount Spent	Share Reach Ratio	Purchase ROAS
...	...	\$3,662.41	0.03%	1.34
...	...	\$3,656.84	0.02%	0.99
...	...	\$3,596.72	0.05%	0.69
...	...	\$3,584.15	0.02%	1.41
...	...	\$3,582.75	—	1.23
...	...	\$3,582.69	0.03%	0.54
...	...	\$3,572.41	0.00%	1.40
...	...	\$3,568.59	0.03%	0.88
...	...	\$3,557.13	0.28%	4.41
...	...	\$3,531.97	0.06%	2.43
...	...	\$3,530.62	0.04%	1.50
...	...	\$3,523.15	0.02%	3.05
...	...	\$3,516.75	0.07%	2.34
...	...	\$3,511.01	0.04%	1.51
...	...	\$3,489.23	0.09%	1.38
...	...	\$3,471.19	0.01%	1.54
...	...	\$3,437.26	0.04%	1.29
...	...	\$3,433.48	0.19%	1.90
<b>Total Results</b> 250 rows displayed (more rows available)		<b>\$5,811,455.47</b> Total Spent	<b>0.12%</b>	<b>4.47</b>

**Note** - the higher your spend, the lower your ratio will get. You want to find the “winning” ads (high share ratio and high ROAS).

Sadly, this has been getting harder and harder as Facebook matures and becomes more crowded. So start looking at this metric today to laser in on your most viral and profitable ads.

Basically, you need to create good content that is engaging and shareable, but still educates and sells enough.

Here’s a [library of paid ads](#) that have been used to scale accounts on Facebook and Instagram and had good ROAS and share ratios.

Organically, your ratio is a lot higher as you have less reach (only your page) and much higher engagement as they’re already following you.

This metric can also be called “virality rate.” [Hootsuite has a good post on metrics to calculate and follow.](#)

**Engagement Metrics**      Virality Rate

$$\frac{\text{Number of Shares}}{\text{Number of Impressions}} \times 100 = \text{Virality Rate Percentage}$$

Again, don’t get obsessed with this metric — keep in mind that ROAS is still your guiding light!

# CHAPTER 5

## WHAT TO DO WHEN NOTHING WORKS

### Step-by-step Guide to Troubleshooting Your Business

Not every business is going to survive. In fact, we already know a scary number of them actually fail — we're going to make sure that you're not one of them!

Running ads is very similar. One brand might crush it, while the next struggles to break even.

We're going to give you a few troubleshooting tips to get you back on track. Plus, we'll give you the insight to decide if Facebook ads just aren't for you.

(It's OK if they aren't.)

Plenty of companies still crush email, content marketing, organic traffic, and influencer marketing. Just because ads don't work doesn't mean you can't build and scale your business.

Assume you know nothing and start with these troubleshooting steps.

### Step 1:

#### Do People Actually Want Your Product?

What is your product's story? What pain point is it addressing? Do enough people have this pain point?

The easy way to find out is just to ask.

If your ads just aren't converting, it might be because your offer, pricing, or product is not aligned with the pain point you're addressing.

So if you can't get purchase conversions, run some surveys (organic or paid) and get some feedback.

## Ask Questions Like

1. What do you like about this product?
2. What do you NOT like about this product?
3. What do you think this product does (based on only an image and a one-sentence description)?
4. How would this product improve the quality of your life?
5. Do you know anyone that would need this? Who and how many people?

## Step 2:

### Are the Benefits of Your Product Easy to Understand?

If people do like your product, then you can move onto the next step.

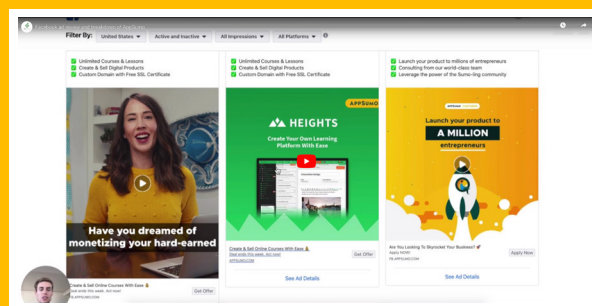
Even if your product is good, you might not be doing the best job explaining or showing the value of it.

This really comes down to three areas:

- Creative & Copy
- Targeting
- Website experience

Here's an example of a good ad that clearly shows the product, what it does, and its value on the creative and copy front.

Video showing AppSumo ads compared to competitors



When it comes to targeting, you need to build out your avatars or personas. Are you focusing on the right people?

Think about your product, its use case, and who would purchase it.

Lastly, the website experience is where most people go wrong. Many teams or owners will try and cut corners on their website, by looking for cheaper copywriters, designers, video editors and developers.

Once you've proven your product is good, then you have the green light to invest.

If your product is adored by consumers and you already have these three things covered, then we're getting closer to finding the issue with your social ads not converting.

### Step 3:

## Is It Easy to Make a Purchase?

This question is closely tied into the website experience, but it's a good idea to break down your website experience down into three parts:

1. Homepage
2. Product page
3. Checkout

This section will focus on the checkout experience, which is a crucial step. Understanding the behavior of your customers and how to best optimize their experience can help a LOT.

For example, are people on mobile or desktop when they check out? Have you tested your store checkout process on multiple devices and browsers?

Do so after you finish reading this!

An easy way to break this down is to take a look at how many people are getting from:

- Homepage to product page
- Product page to cart page
- Cart page to complete checkout

A good average should be about 40-50% of people getting from cart to checkout.

If you have fewer than this, you have a couple of options:

- Add easier checkout options (Amazon, Apple Pay, PayPal)
- Shorten the checkout and make it one page
- Get rid of any unnecessary fields
- Use a good hosting company (the page load speed needs to be FAST)
- Make the page clean (remove unnecessary buttons, headers, footers, or text)
- Add trust signals (badges, testimonial, review ratings, etc.)
- Add a refund notice (free 30-day returns)
- Add warranty (2 year warranty)

Remember that if people are not converting once they get to your website or to your checkout, your Facebook ads are going to have a hard time being profitable.

Make sure you run this analysis before you start running your ads.

## Step 4: Are My AOV and LTV Profitable?

Maybe you *are* getting conversions, but you're struggling with profitability.

Some store owners fall into the trap of looking only at Facebook expenses and revenues. They forget to account for all the other expenses associated with running a business, like cost of goods, wages, returns, etc.

One solution is to figure out your customer metrics.

**Average Order Value = The average revenue per checkout.**

Take your last 6-12 months of revenue, then divide it by the number of orders.

**Lifetime Value = The average revenue per customer.**

This is a "lifetime metric." So take your lifetime revenue, then divide it by the number of unique customers.

There are also tools that will calculate this for you. Google Analytics is one, for example, but it's not always accurate.

Understand these numbers and make sure that they're positive once you take into account all your expenses. Sometimes Facebook ads are just too expensive for some brands.

This is common in single product stores or stores that sell low cost items (under \$50).

Of course, this isn't a dead end.

If you do the calculations and find that your numbers are not adding up, you can always adjust and optimize.

# FINAL THOUGHTS

## 10 Lessons We Learned Spending \$5 Million on Facebook Ads

Awesome! You've come a long way to the end of this ebook.

Over the past years, AppSumo has spent over \$5 million on Facebook ads, and we've learned a ton along the journey.

We've shared how we use Facebook advertising in our business above. Now, here are 10 insights we've learned, from the failures to the small wins to the huge successes.

1. Always know your numbers. Review the above sections about your website conversion rate, cost per acquisition, and customer lifetime value.
2. Quality matters — find it and scale it (focus on ROAS, Conversion Rate, Share Ratio, CTR and CPC). The 80/20 rule roughly applies here. Out of 100 ads, only 20 of them will be scalable (if that!).
3. Break down your strategy into top of the funnel and bottom of the funnel. This is important for scaling. If you treat your account as BOF only, you'll struggle to scale. You need to invest in the top of the funnel to fill the bottom of the funnel.
4. Don't forget about engagement. The more you have, the more ad platforms will love you. That means cheaper CPM's. Earned impressions are awesome!
5. Provide value instead of discounting. For example, AppSumo offers AppSumo Plus (credits to spend in store and free content) instead of further discounting.
6. You will never know everything — keep learning. Connecting with experts or hiring people can save you a lot of money in the long run!
7. Testing is the most important part of running any paid marketing campaign. Keep trying new things, adjusting, and seeing if they worked or not.
8. Test your placements. Some brands do really well on Instagram, some do better on Facebook, and some excel in Messenger. As distribution networks like Facebook and Google open up new ad real estate, test them out.
9. Don't analyze your ad data on a daily basis (unless you're spending over \$2,000). This will drive you crazy and lead to irrational decision making. Give your campaigns some time to collect data. Optimize and stabilize. If possible, look at your performance weekly, instead of daily. Stretch your budgets out if needed.
10. Learn by doing. You can read case studies, guides, watch webinars, and do courses until the cows come home but the best way to actually learn is to get started. Even if it's just \$100/month to begin with, just take that first step and the rest will follow.




## Jack Paxton

Jack helps companies scale using online ads. Since 2011, he's started **Top Growth Marketing** and accumulated over \$150 million in profitable ad spend working with \$100/day to \$100,000/day budgets (AppSumo being one of them!).

He is also the co-founder of **VYPER**, a referral marketing tool. And his latest project, **Hyax**, is a design focused funnel & course builder.

Hit Jack up if you have any questions from this guide.

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## Dean Yeong

Since 2017, Dean has helped **Sumo.com** in platform growth, paid advertising, email, and content marketing. Now, Dean is the Head of Content at Sumo. He runs one of the top marketing blogs online, read by over 500,000 visitors every month.

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