Be More Like SpaceX:

The Elon Musk Approach To PPC

Presented by **Patrick Gilbert** of AdVenture Media
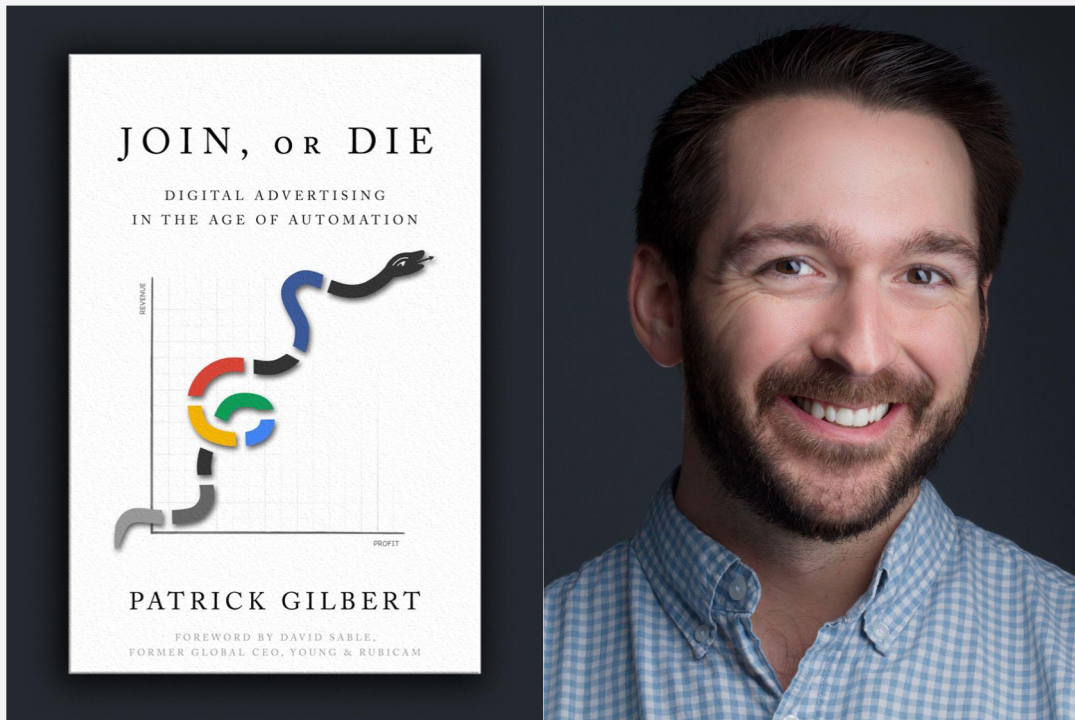
Chief Operating Officer,

AdVenture Media Group

Digital advertising agency with 50+ team members hailing from all corners of the globe. Client work includes Sports Illustrated, Sennheiser, Forbes Magazine, and more.
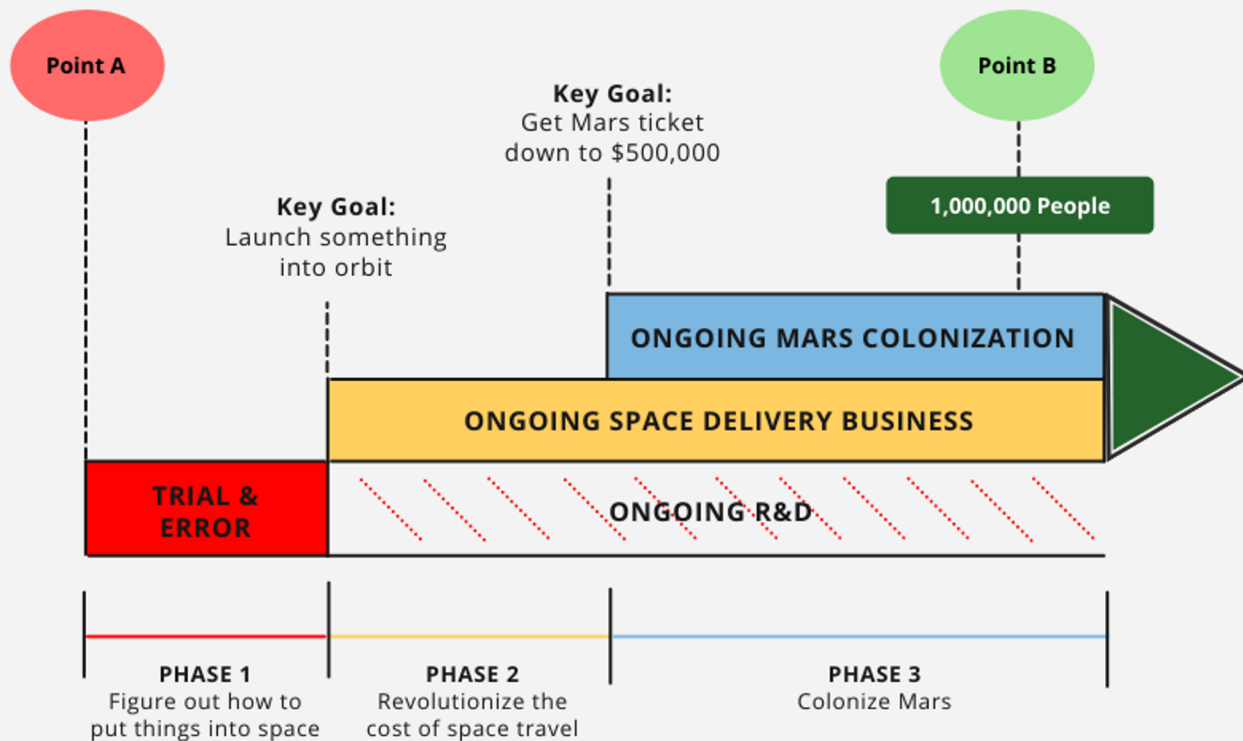
Author,

Join or Die: Digital Advertising in the Age of Automation

Revered as a "masterclass in digital advertising," *Join or Die* is the playbook for profitably leveraging automation within Google Ads, Facebook Ads, and other emerging ad platforms.
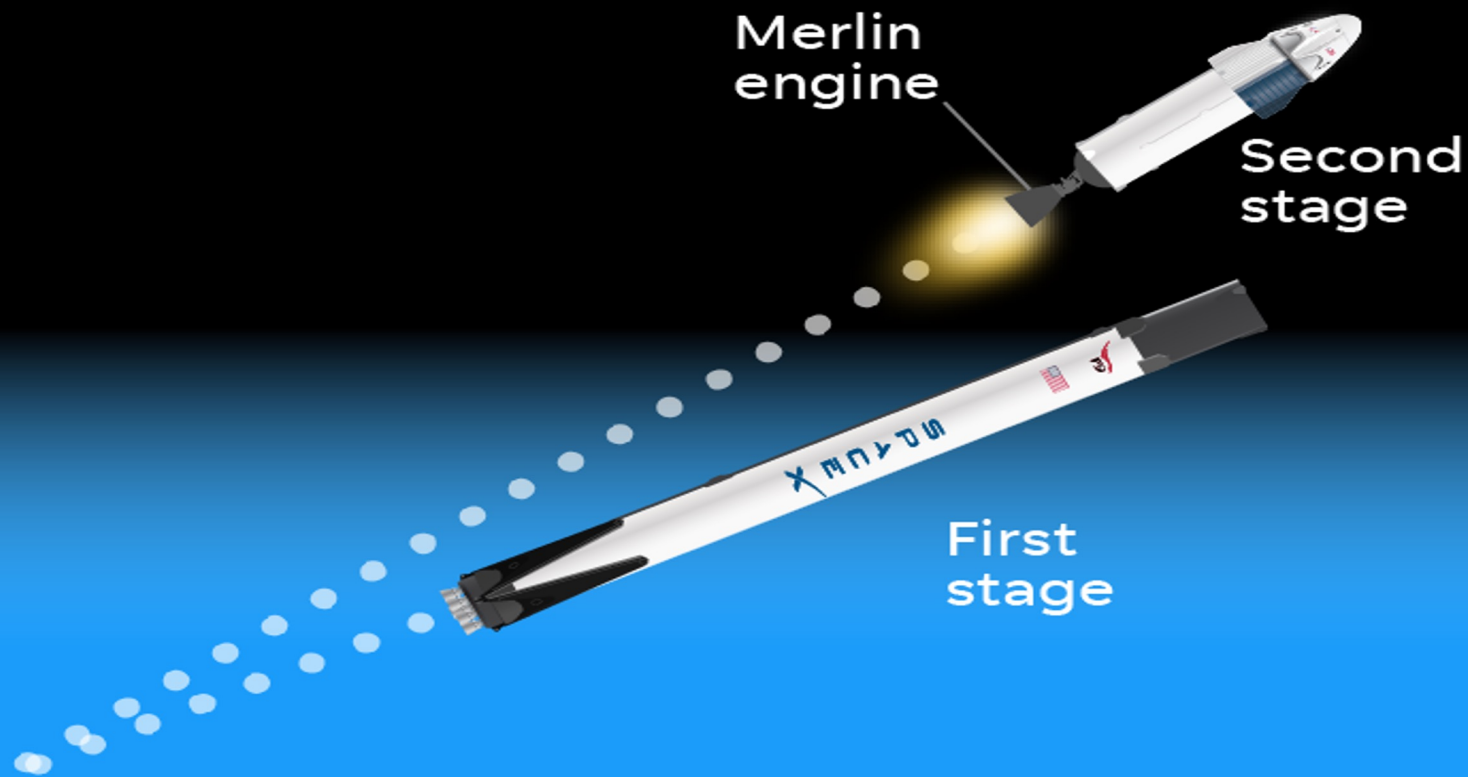
JOIN, OR DIE

DIGITAL ADVERTISING
IN THE AGE OF AUTOMATION

PATRICK GILBERT

FOREWORD BY DAVID SABLE,
FORMER GLOBAL CEO, YOUNG & RUBICAM

The SpaceX Business Plan

Merlin
engine

Second
stage

First
stage

The *freaking* rocket **LANDS** **STRAIGHT UP** after being in space!

The SpaceX Business Plan

Point A

Point B

Key Goal:
Get Mars ticket
down to $500,000

1,000,000 People

Key Goal:
Launch something
into orbit

ONGOING MARS COLONIZATION

ONGOING SPACE DELIVERY BUSINESS

TRIAL &
ERROR

ONGOING R&D

PHASE 1
Figure out how to
put things into space

PHASE 2
Revolutionize the
cost of space travel

PHASE 3
Colonize Mars
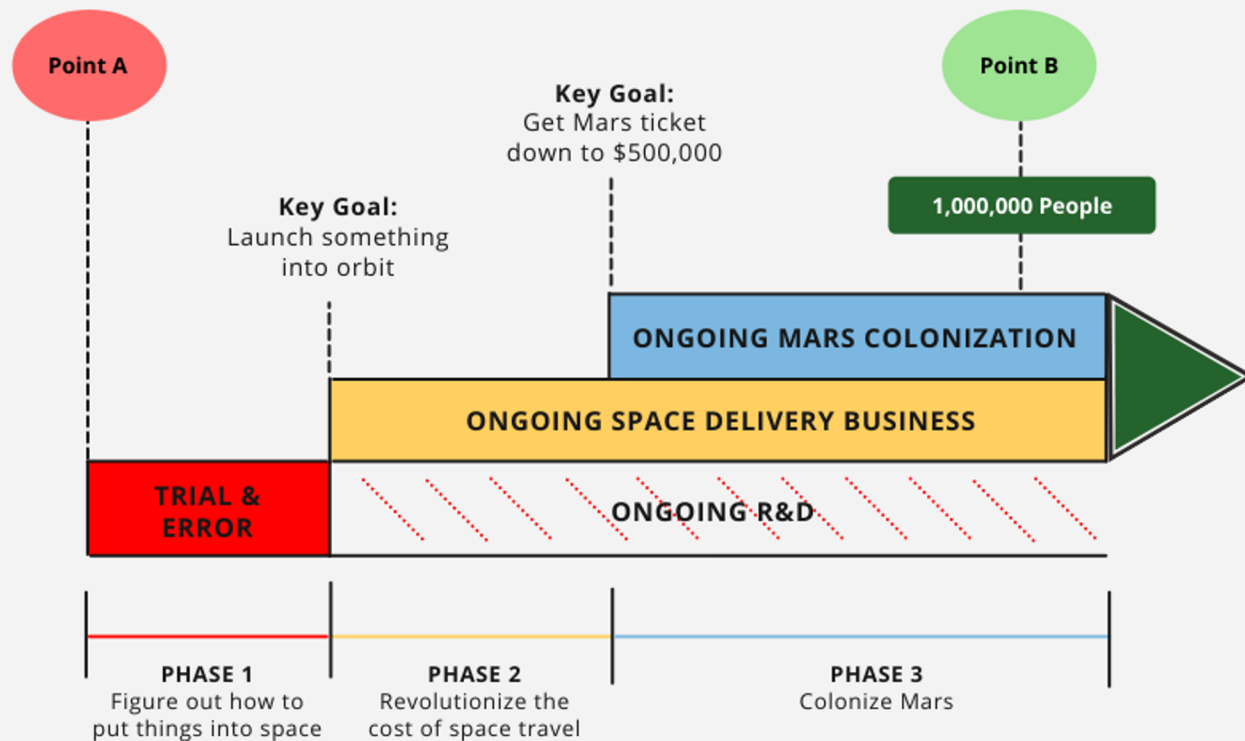
Original Source:
Tim Urban, waitbutwhy.com

WHY

don't any of our **PPC Strategies** **take a similar** **approach?**
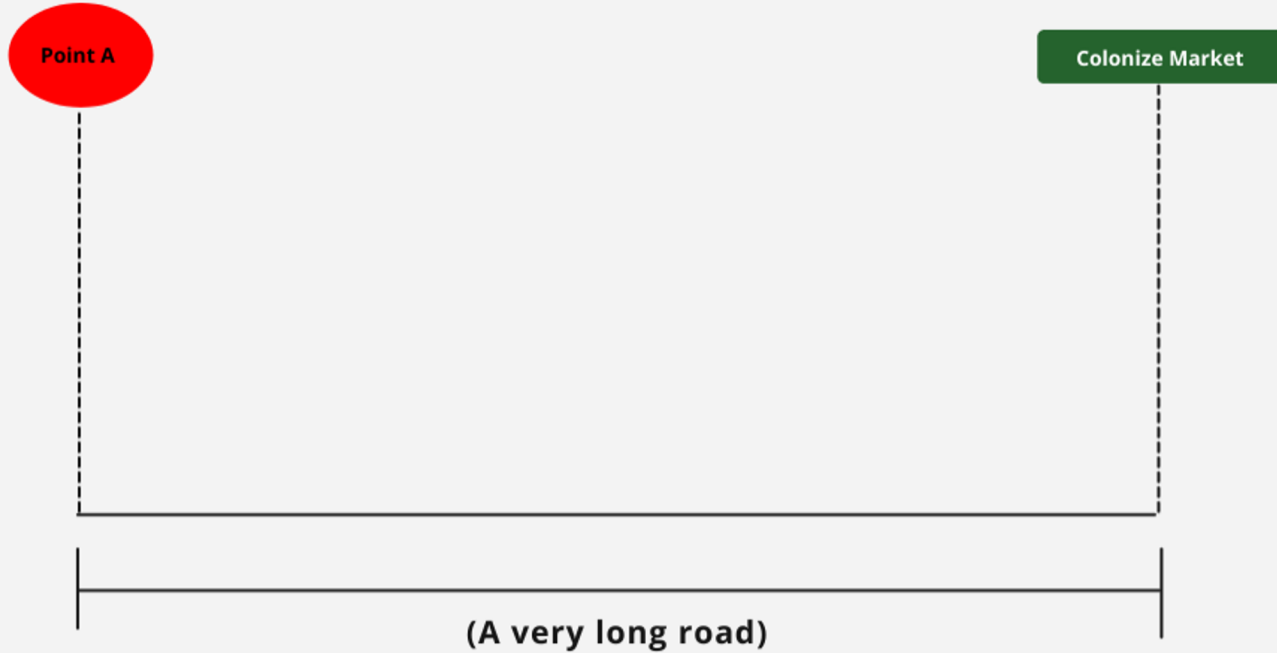
The
FALCON
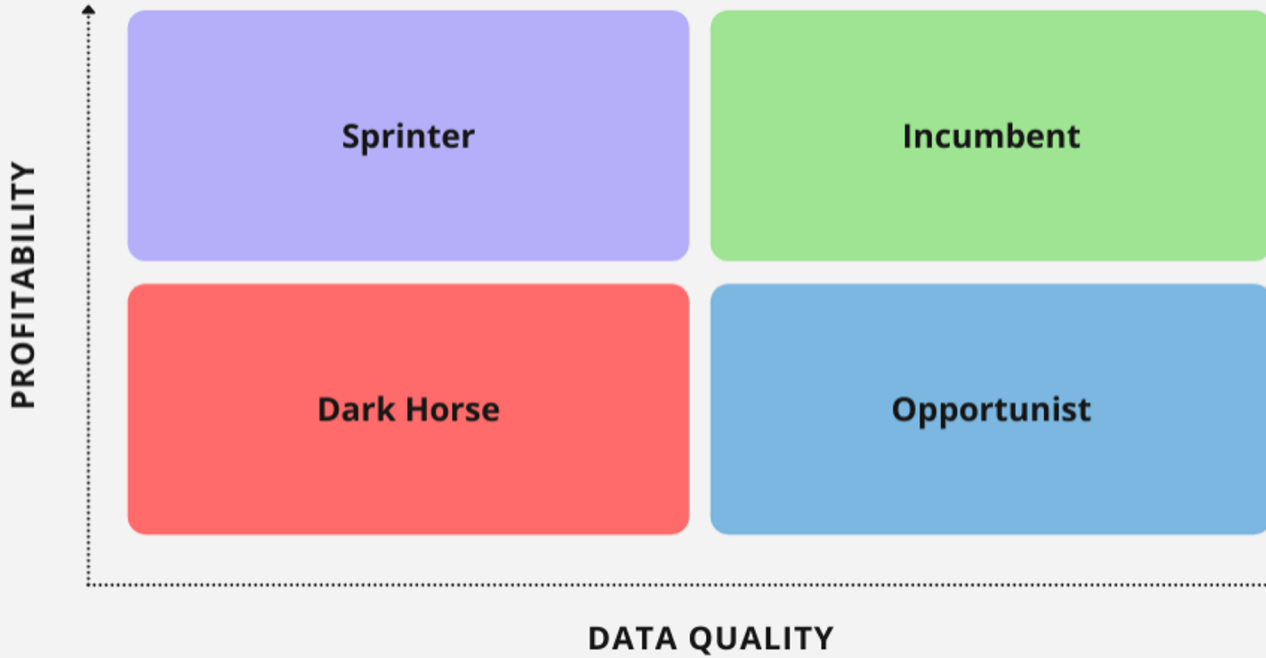# Budget
Framework

FALCON Budget Framework

1. Add clarity to long term vision

2. Identify starting position

3. Simplify complex problems

4. Identify main challenges
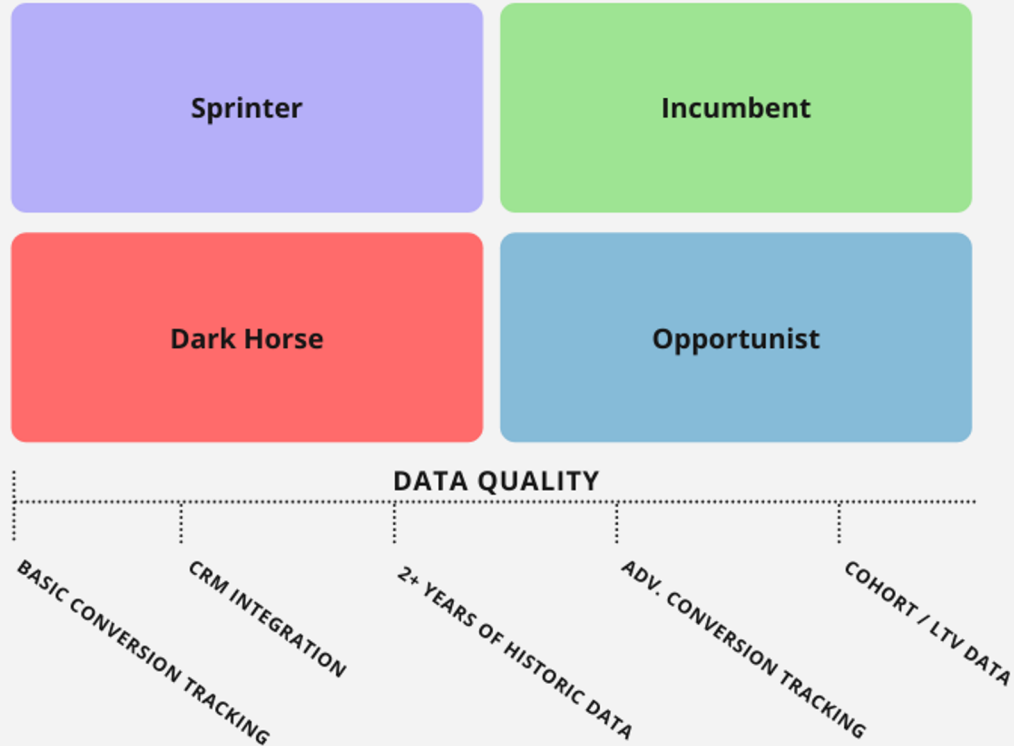
5. Manage expectations
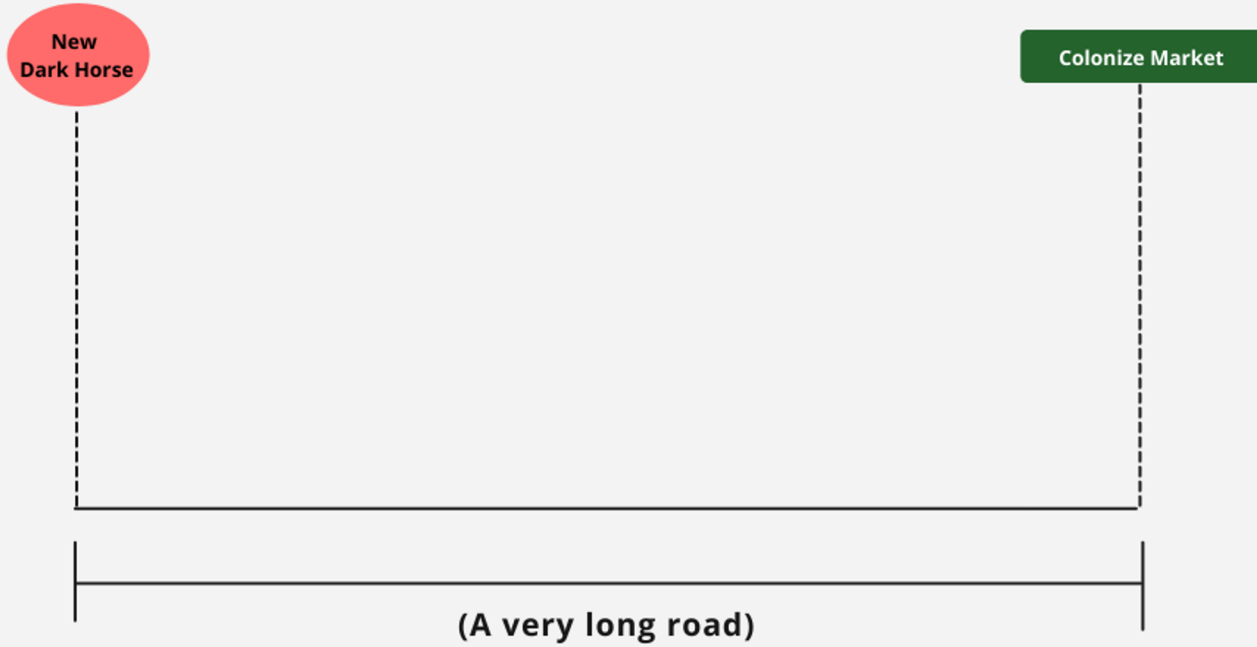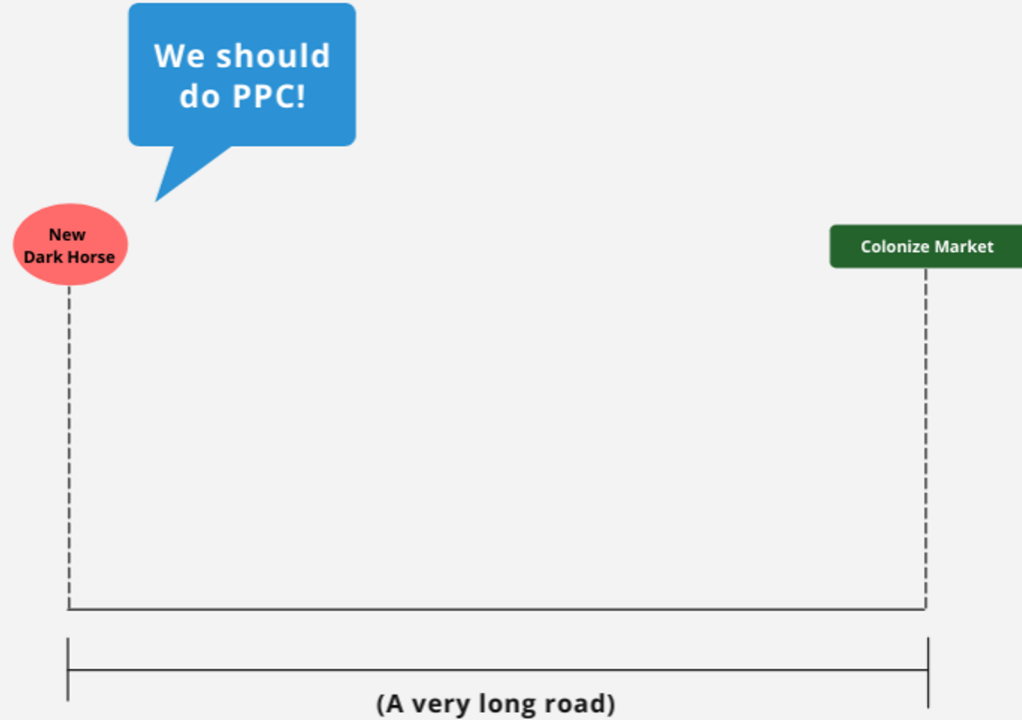
What's Your Long Term Vision?

Point A

Colonize Market

(A very long road)

Identify **Starting Position**

Sprinter

Incumbent

Dark Horse

Opportunist

PROFITABILITY

DATA QUALITY

Data Quantity < **Data Quality**

Enter Dark Horse...

New
Dark Horse

Colonize Market

(A very long road)

Enter Dark Horse...

We should
do PPC!

New
Dark Horse

Colonize Market

(A very long road)

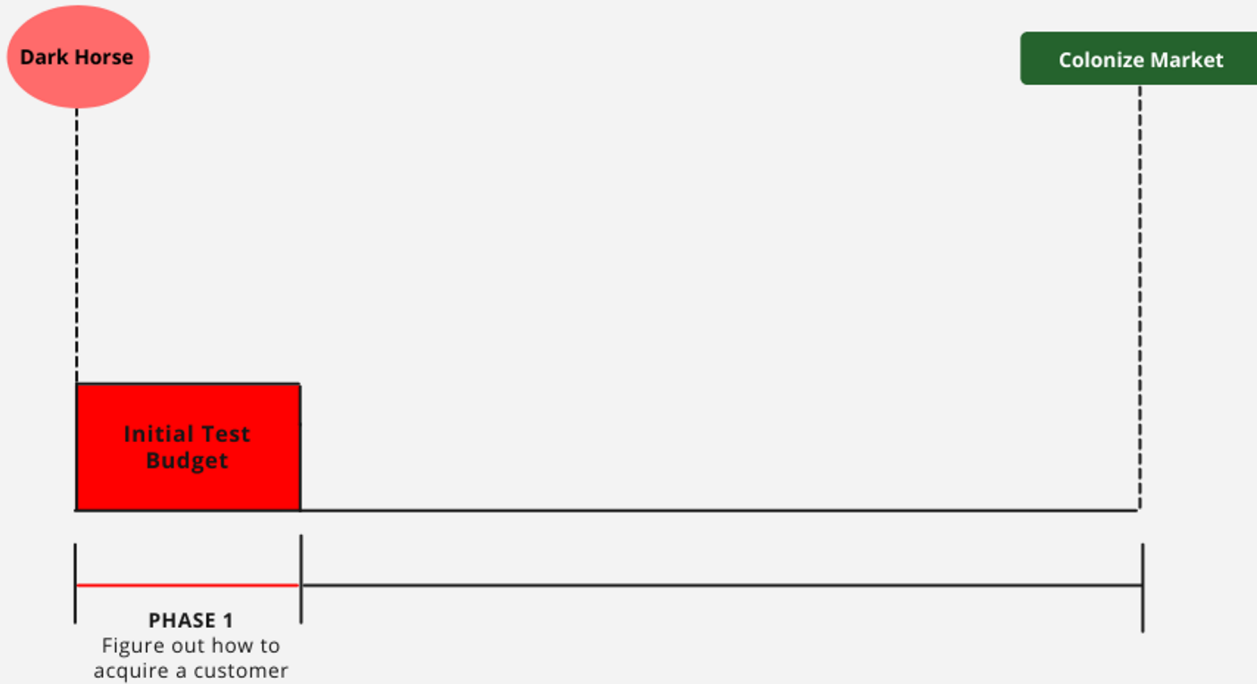# **Test Budget** Campaigns (TB)

- First test = Gut instinct

- Goal: Acquire a customer

- Expectations:
    - "When we will know if this *can* be successful?"

        NOT

    - "When can we expect this to be successful?"

Dark Horse: No Data, Not Profitable

Dark Horse

Colonize Market

Initial Test Budget

PHASE 1
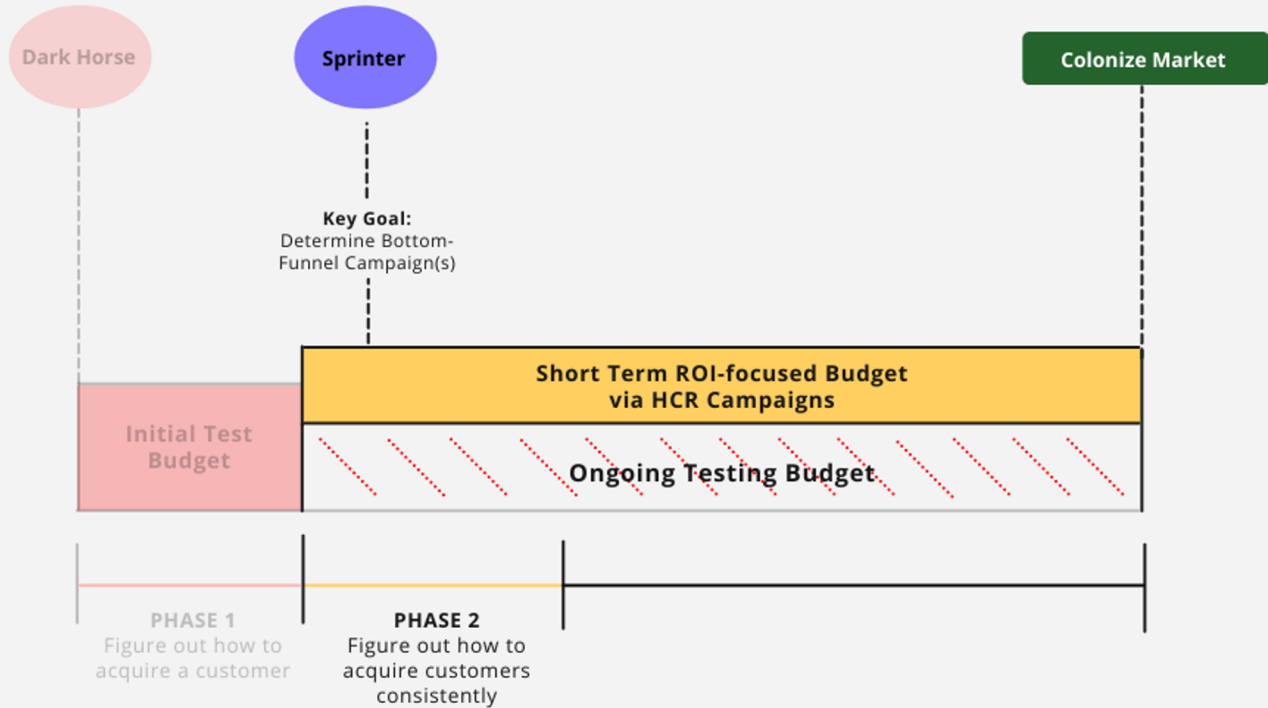Figure out how to acquire a customer

High Confidence Response Campaigns (HCR)

- Examples include:
    - Most Search Campaigns
    - Shopping Campaigns
    - Some Facebook Campaigns

- Reliable source of customers

- CPA/ROAS is generally within profit targets

- Volume is finite

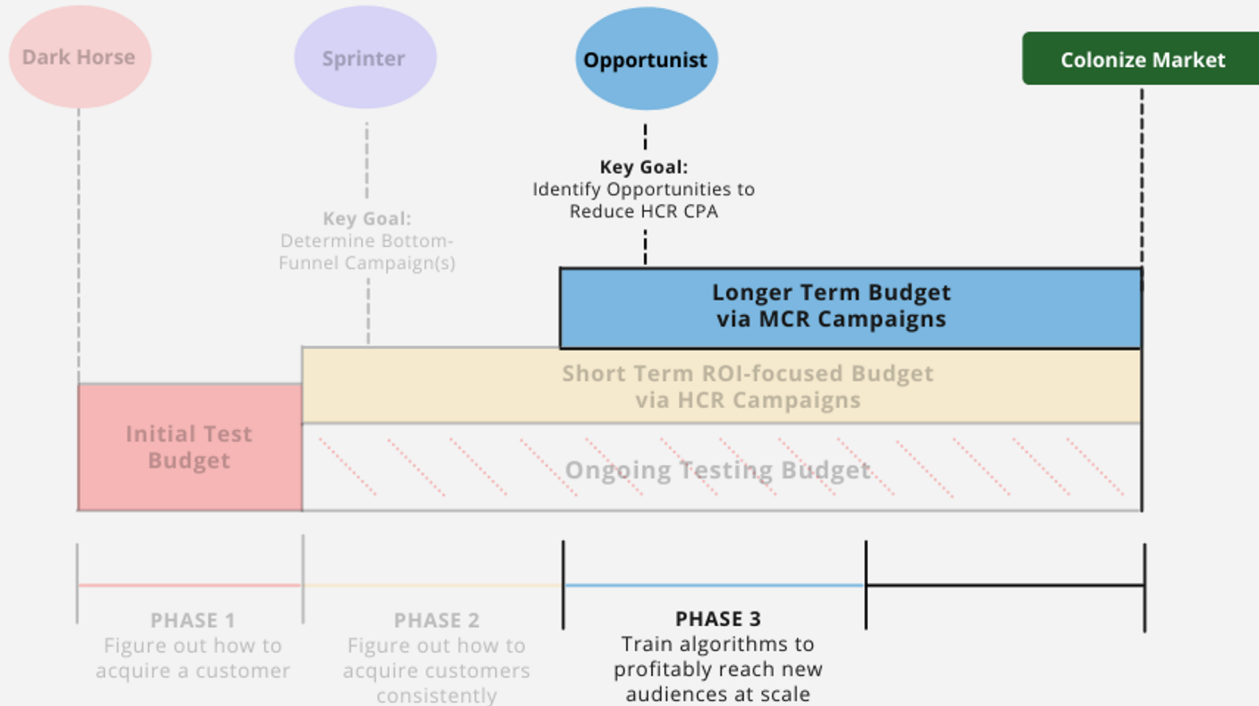- Confidence = Measurable success

Sprinter: Some Profit, Little Data

Dark Horse

Sprinter

Colonize Market

Key Goal:
Determine Bottom-Funnel Campaign(s)

Short Term ROI-focused Budget via HCR Campaigns

Initial Test Budget

Ongoing Testing Budget

PHASE 1
Figure out how to acquire a customer

PHASE 2
Figure out how to acquire customers consistently

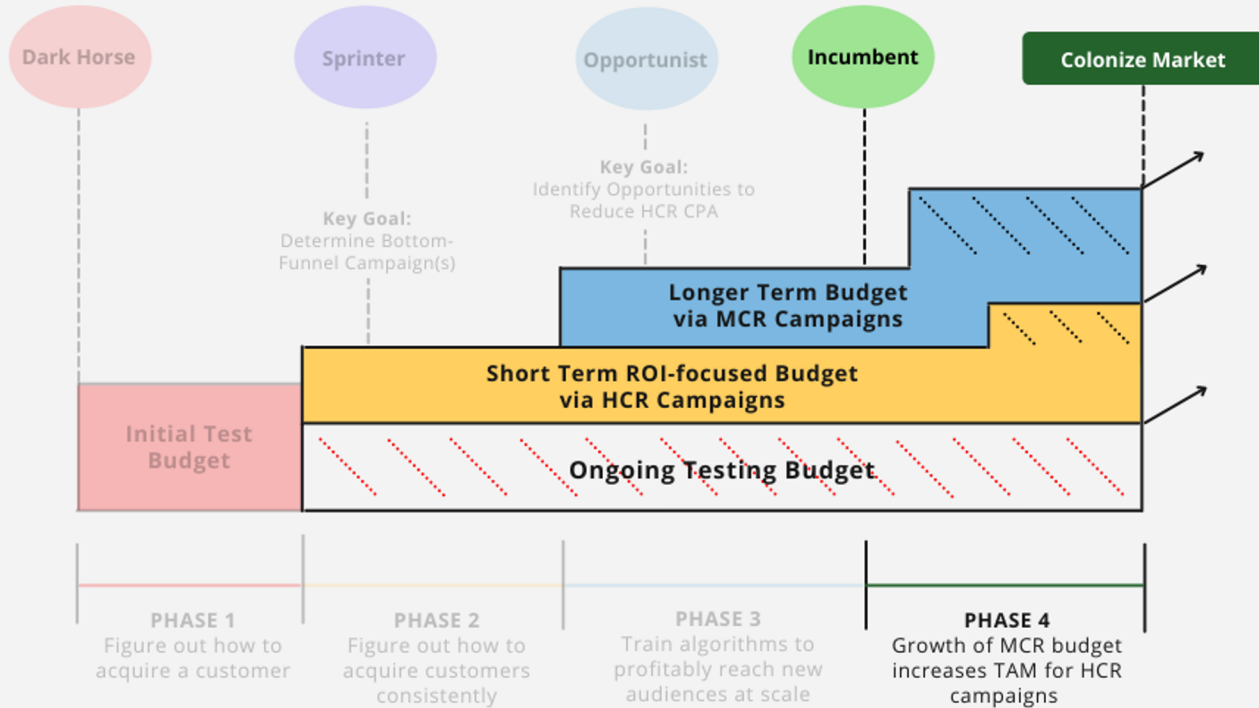# **Modeled Confidence Response** Campaigns (MCR)

- Examples include:
  - YouTube
  - Display
  - Most Facebook campaigns

- True impact not easy to attribute

- Value of MCR campaigns realized as:
  - Direct response conversions
  - "Halo Effect" impact on HCR campaign conversion rates
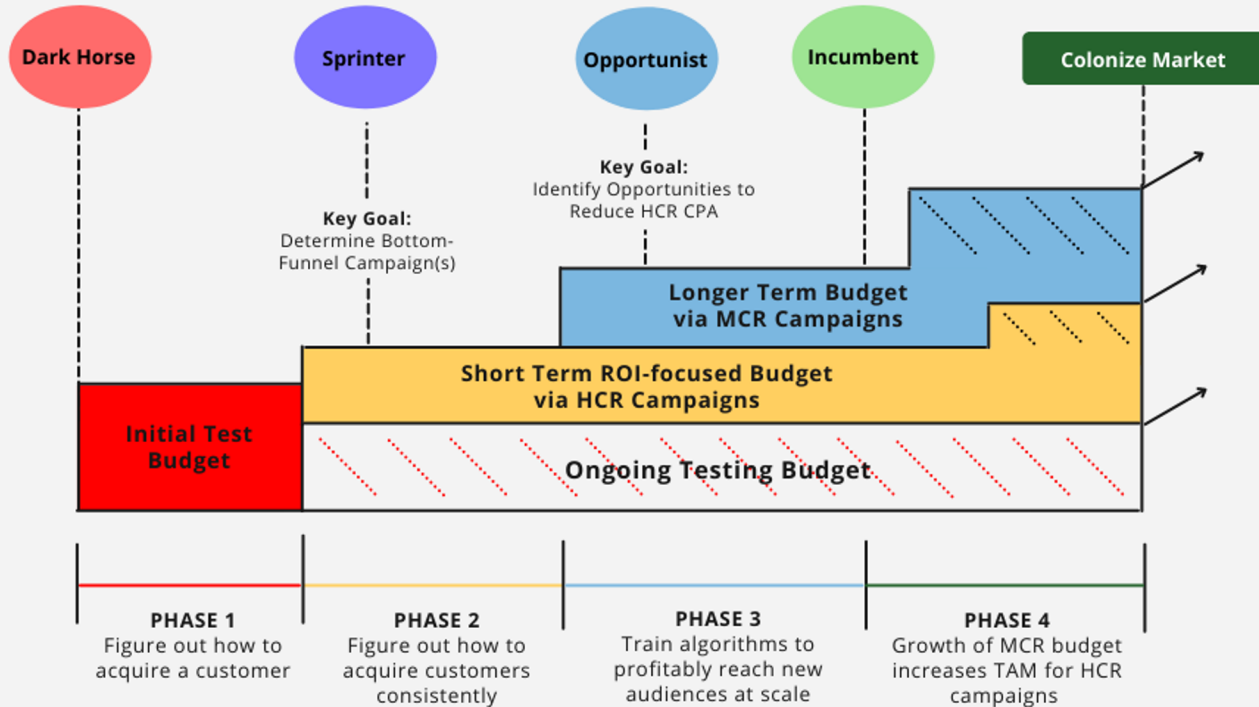 - Long term benefits of brand awareness and recall

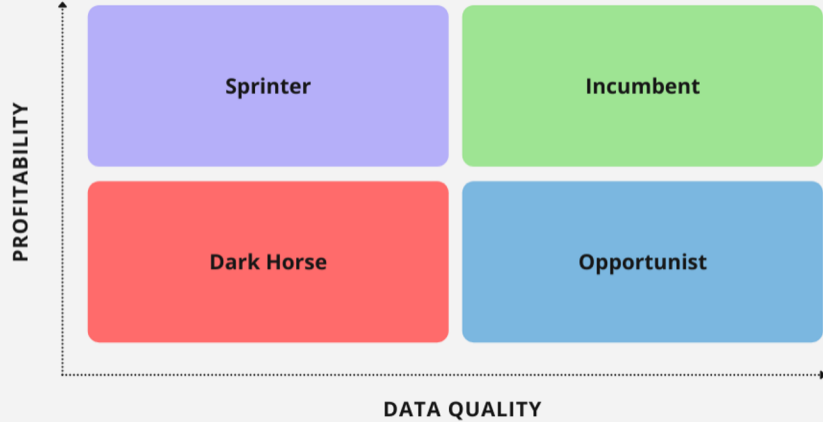# Opportunist: Good Data, Not Profitable

The **FALCON** Budget Framework

Dark Horse

Sprinter

Opportunist

Incumbent

Colonize Market

Key Goal:
Determine Bottom-Funnel Campaign(s)

Key Goal:
Identify Opportunities to Reduce HCR CPA

Longer Term Budget via MCR Campaigns

Short Term ROI-focused Budget via HCR Campaigns

Initial Test Budget

Ongoing Testing Budget

PHASE 1
Figure out how to acquire a customer

PHASE 2
Figure out how to acquire customers consistently

PHASE 3
Train algorithms to profitably reach new audiences at scale

PHASE 4
Growth of MCR budget increases TAM for HCR campaigns

New Client Matrix

A client's current level of profitability + quality data their account determines where they begin the process.
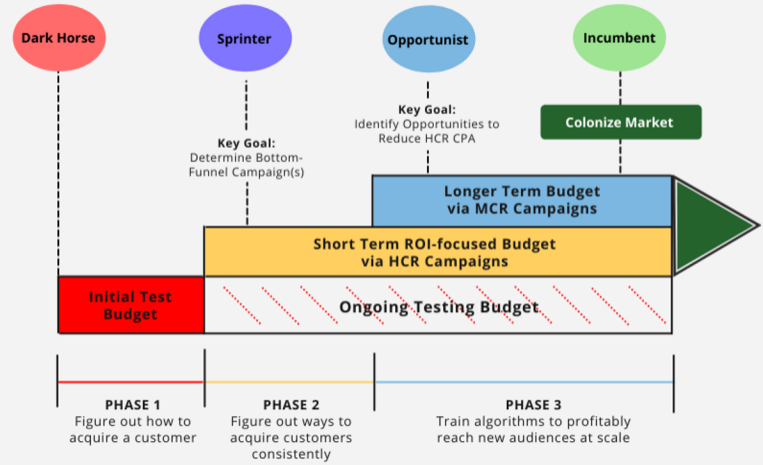
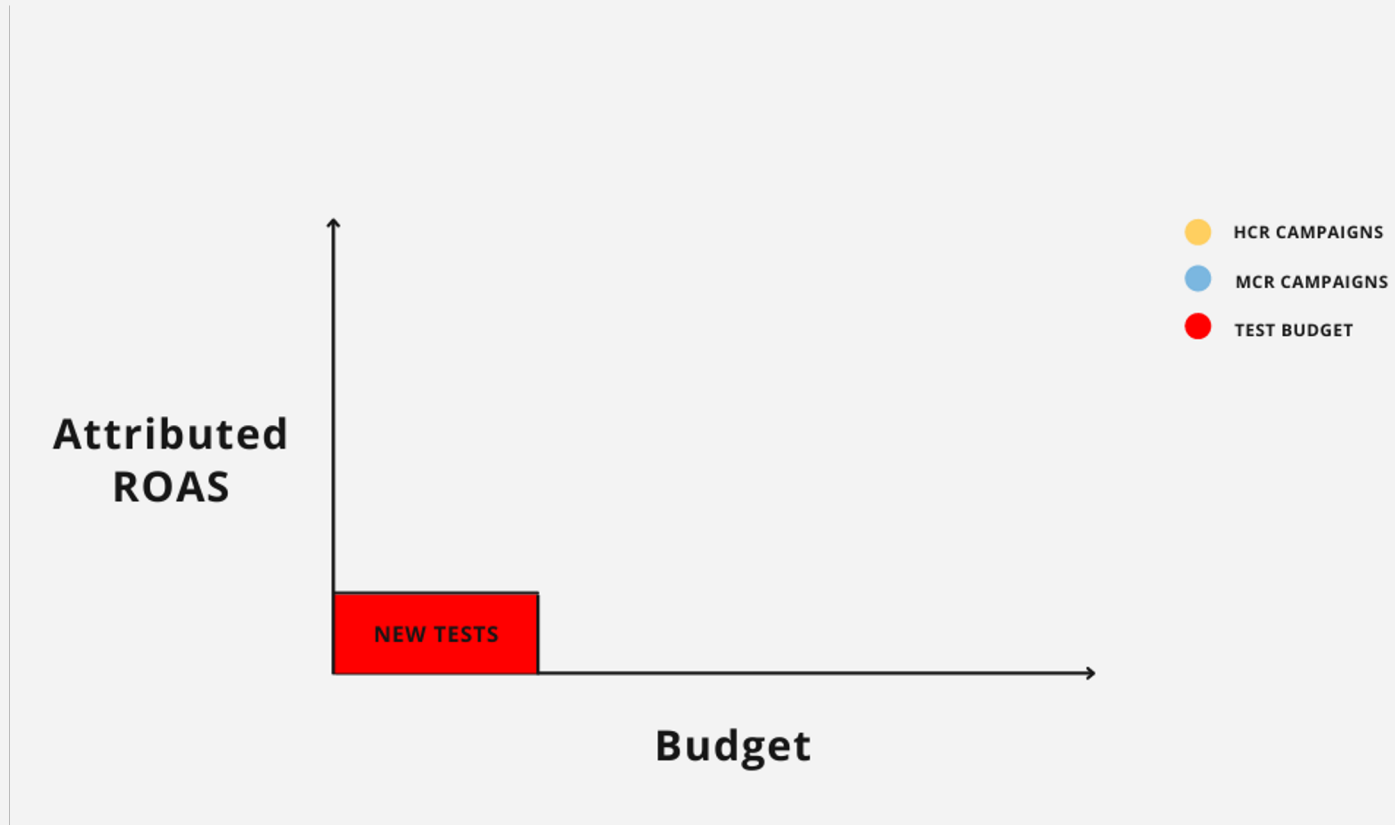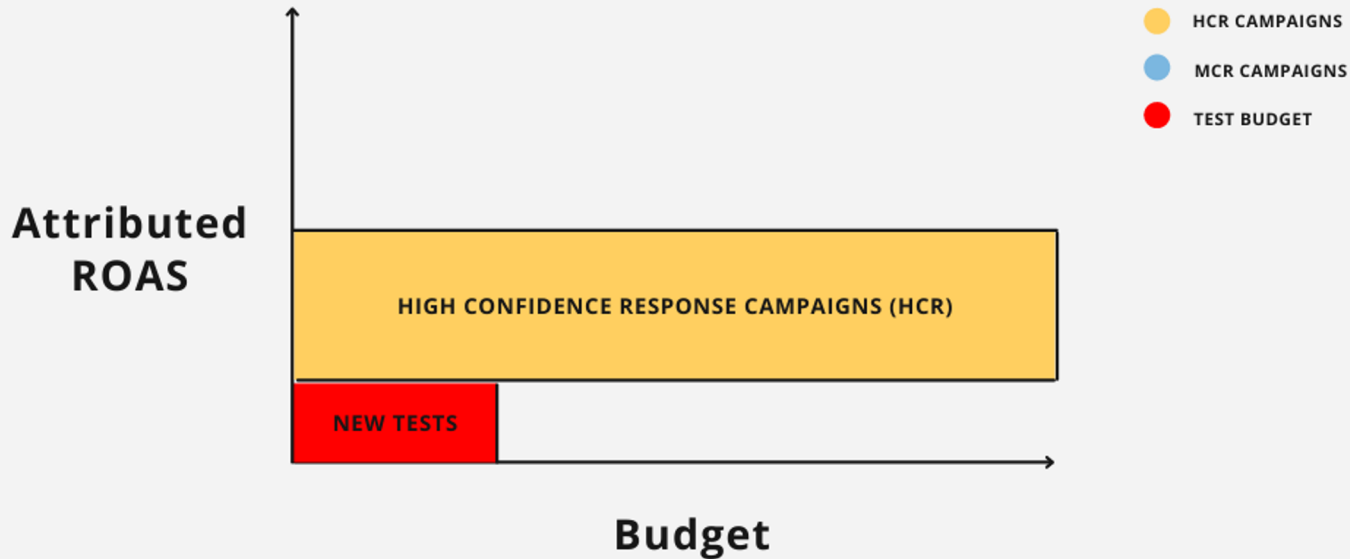## FALCON Budget Framework

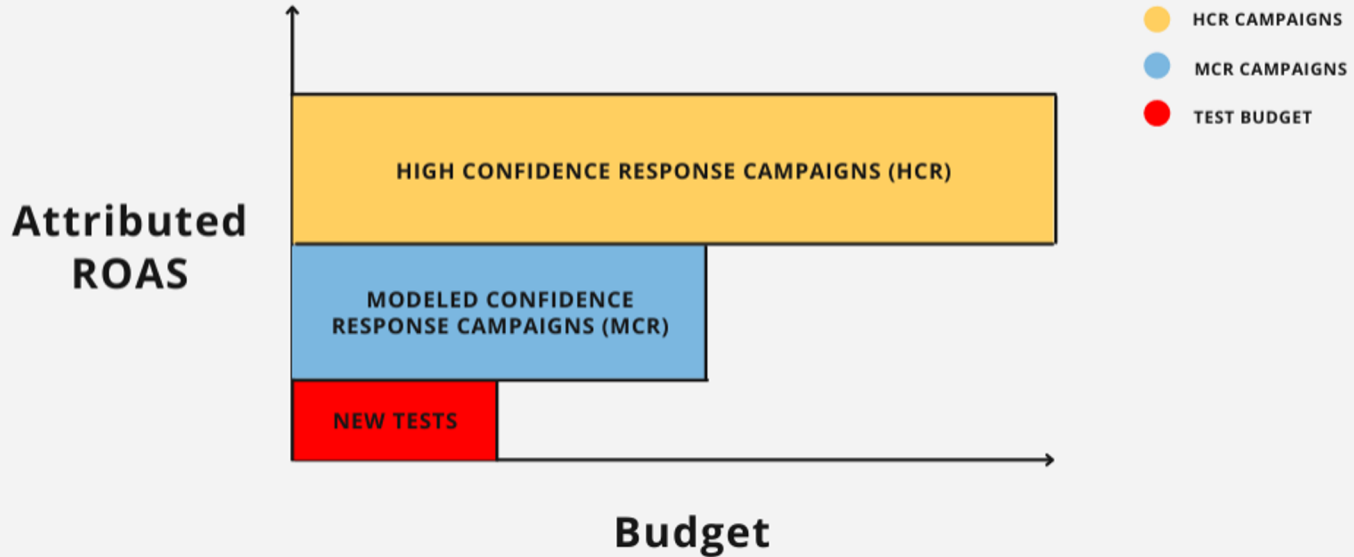**R&D** (data) + **Confidence** + **Profitability** = **Progress**
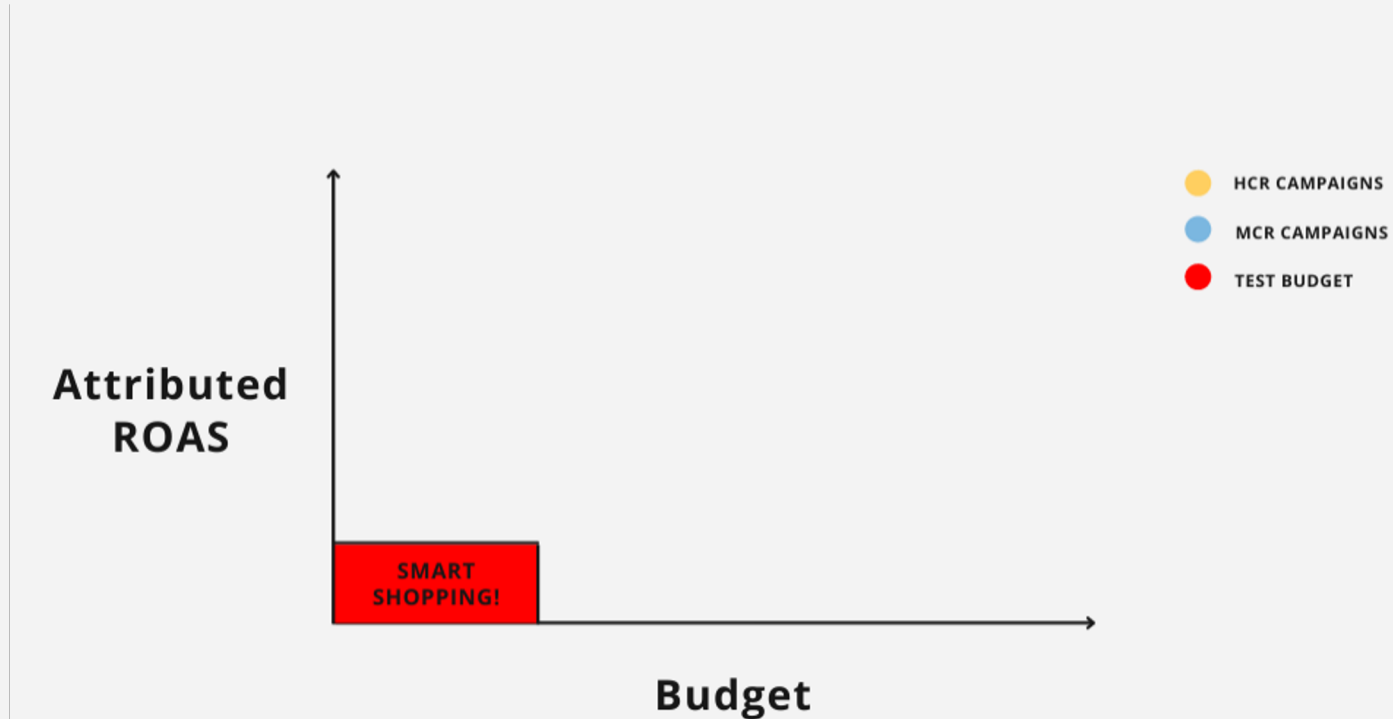
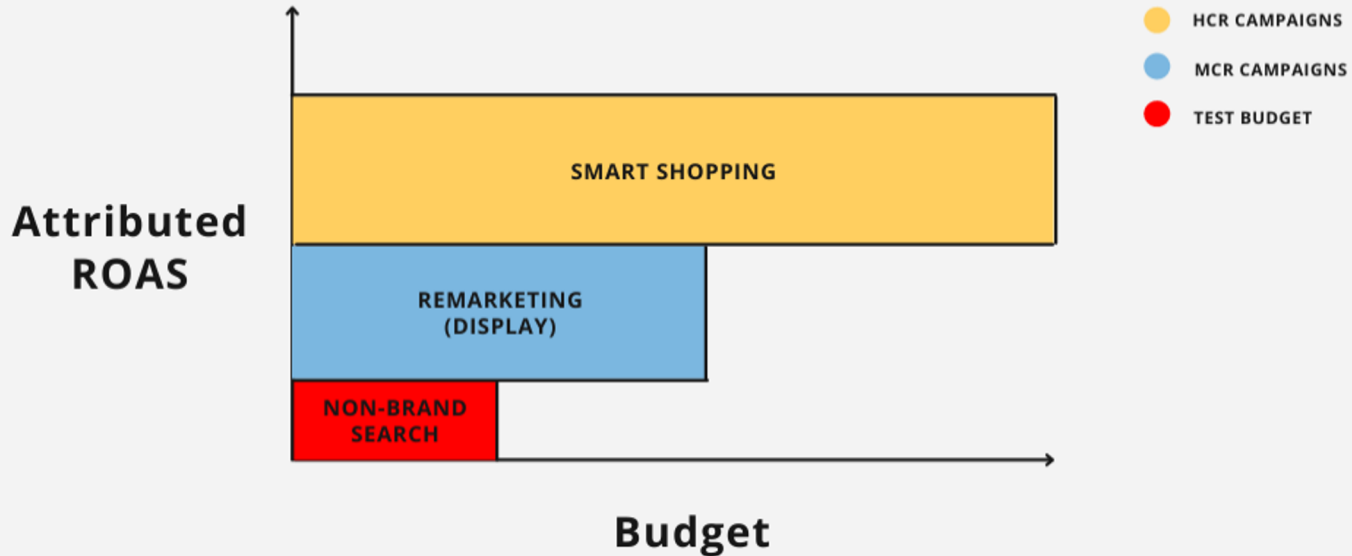# Phase 2: Sprinter

Phase 3 & Phase 4: Opportunist / Incumbent

Phase 1: Figure out how to acquire a customer

Attributed ROAS / Budget chart with "SMART SHOPPING!" test budget block.

Legend:
- HCR CAMPAIGNS
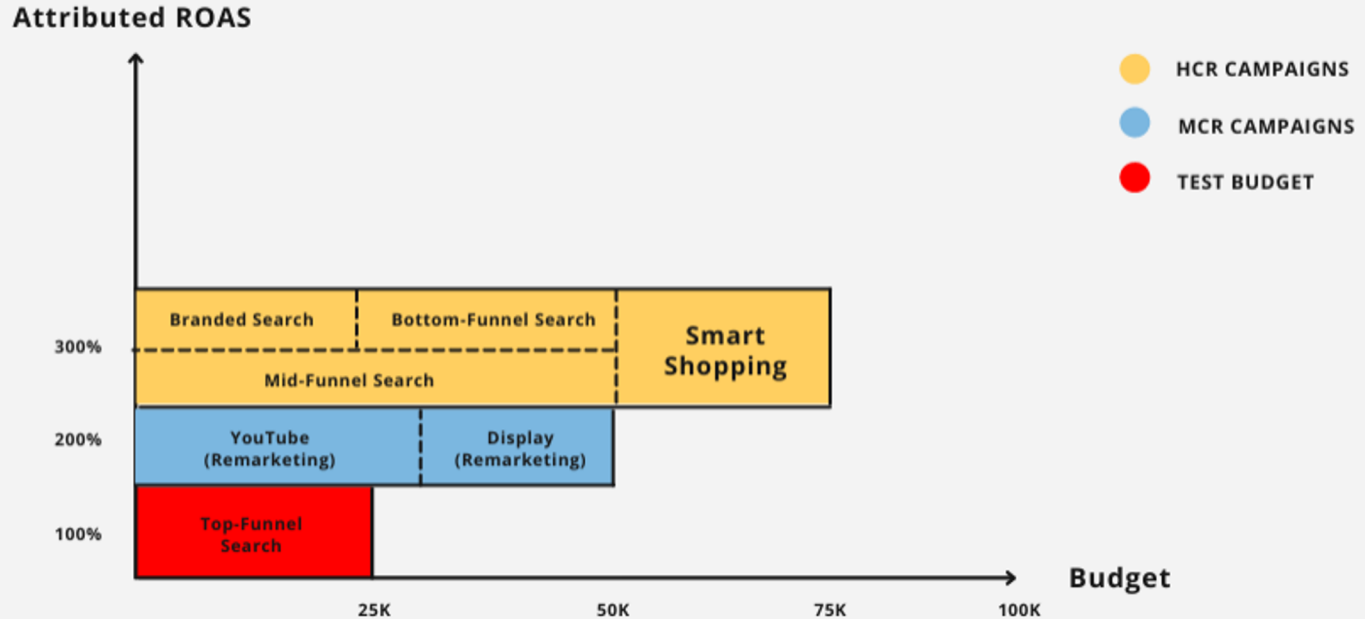- MCR CAMPAIGNS
- TEST BUDGET

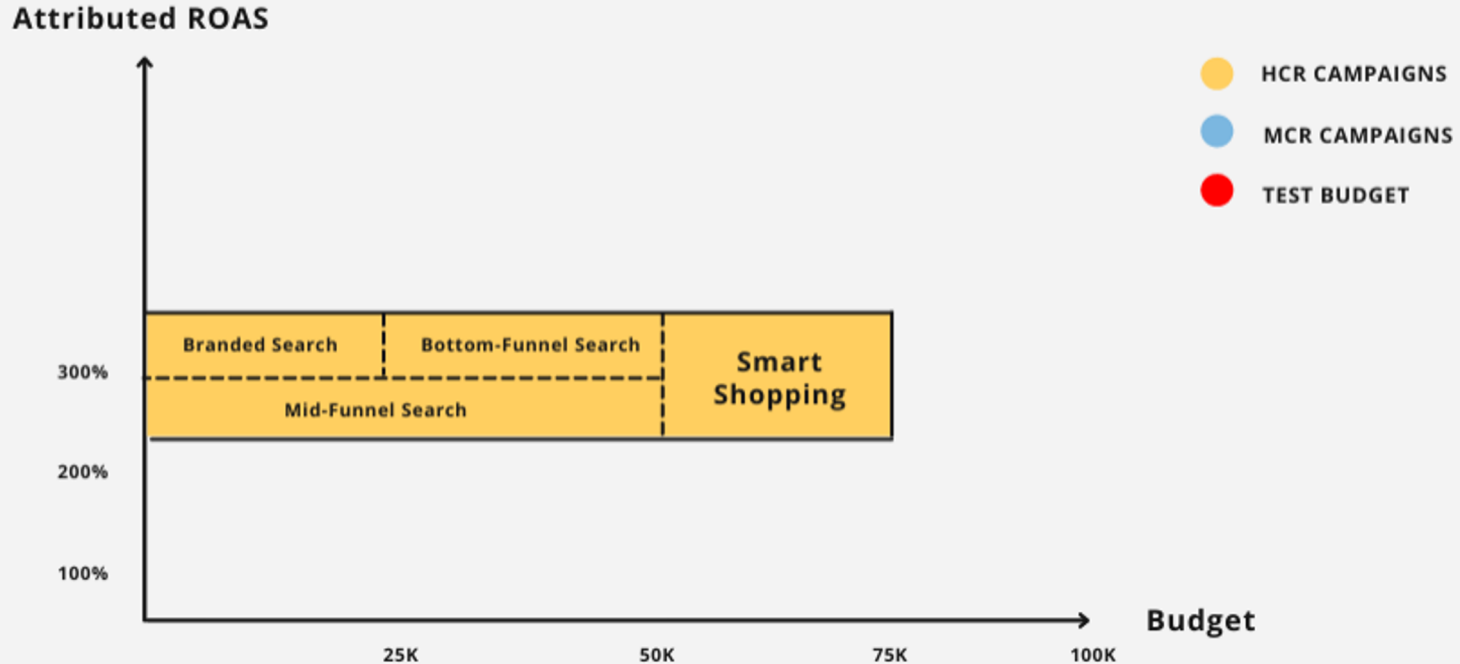# Phase 2: Figure out how to acquire customers *consistently*
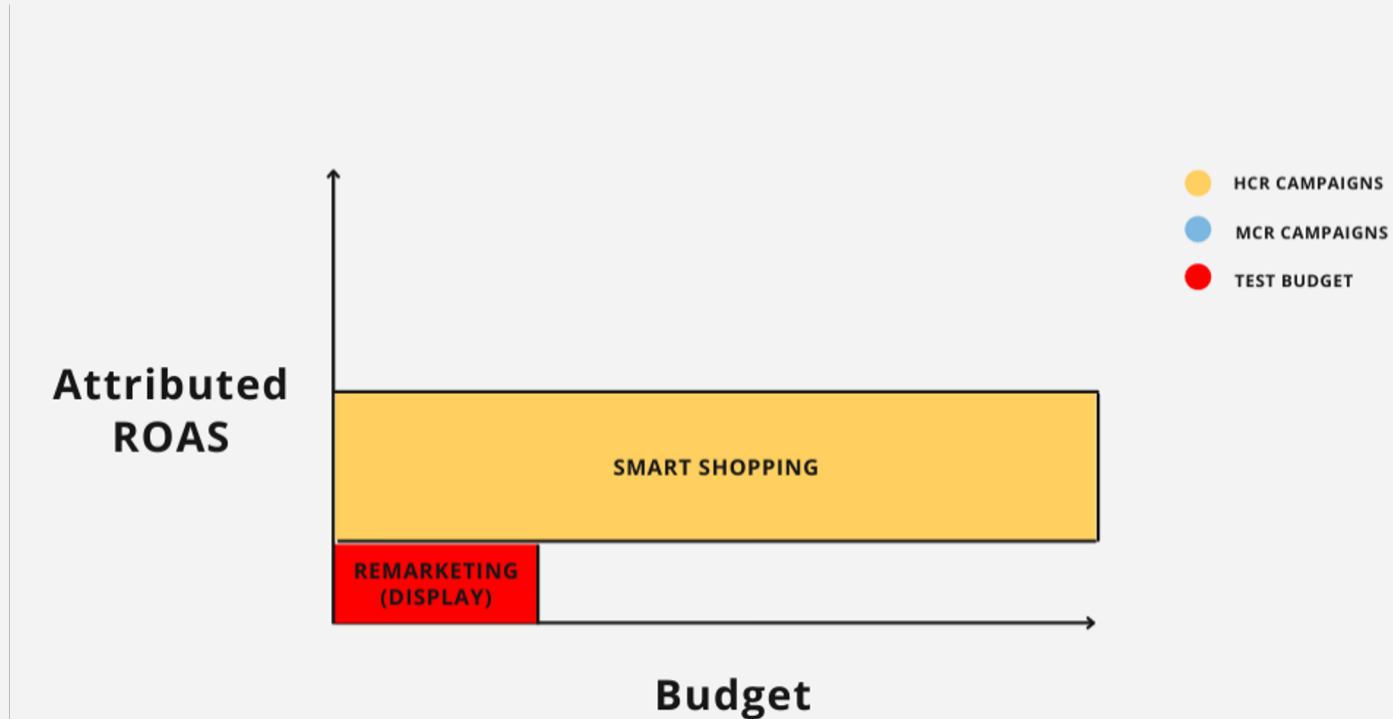
Phase 3: Train algorithms to profitably reach new audiences at scale

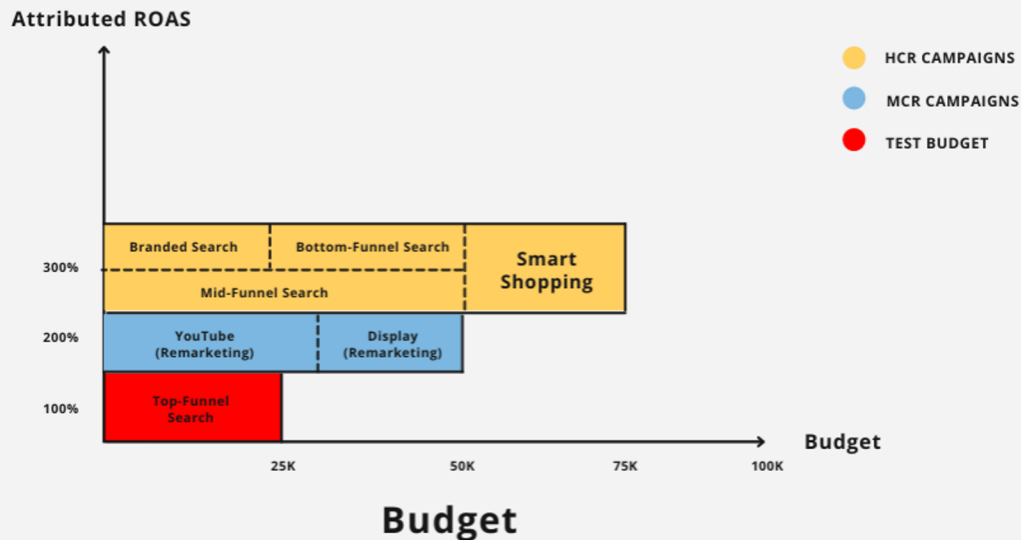# **Phase 3:** Train algorithms to profitably reach new audiences at scale

Attributed ROAS

Legend:
- HCR CAMPAIGNS
- MCR CAMPAIGNS
- TEST BUDGET

Chart bars:
- Branded Search
- Bottom-Funnel Search
- Mid-Funnel Search
- Smart Shopping
- YouTube (Remarketing)
- Display (Remarketing)
- Top-Funnel Search

Y-axis: 100%, 200%, 300%

X-axis (Budget): 25K, 50K, 75K, 100K

Problem: Most clients exist outside of the matrix and the framework

Attributed ROAS

HCR CAMPAIGNS

MCR CAMPAIGNS

TEST BUDGET

Branded Search

Bottom-Funnel Search

Smart Shopping

Mid-Funnel Search

300%

200%

100%

25K   50K   75K   100K

Budget

Overall Results

- $150K spend
- $350K revenue
- 230% ROAS

Segmented Results
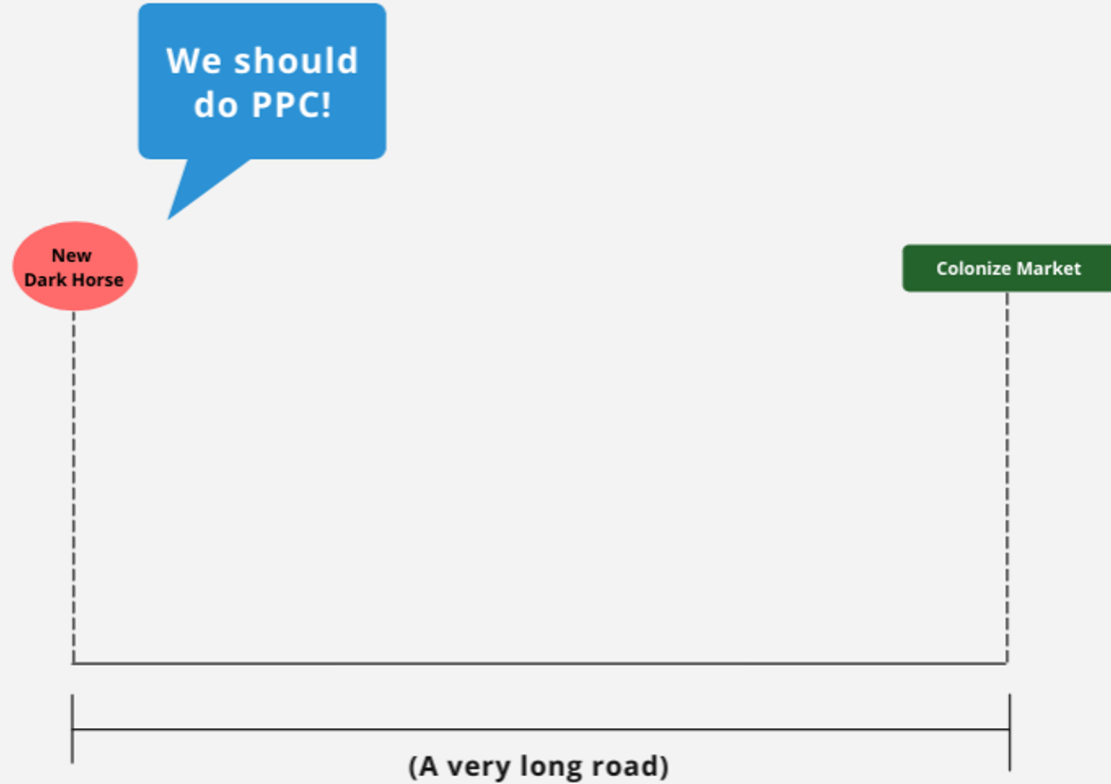
- **HCR:** $75K spend, $225K revenue, 300% ROAS
- **MCR:** $50K spend, $100K revenue, 200% ROAS
- **TB:** $25K spend, $25K revenue, 100% ROAS

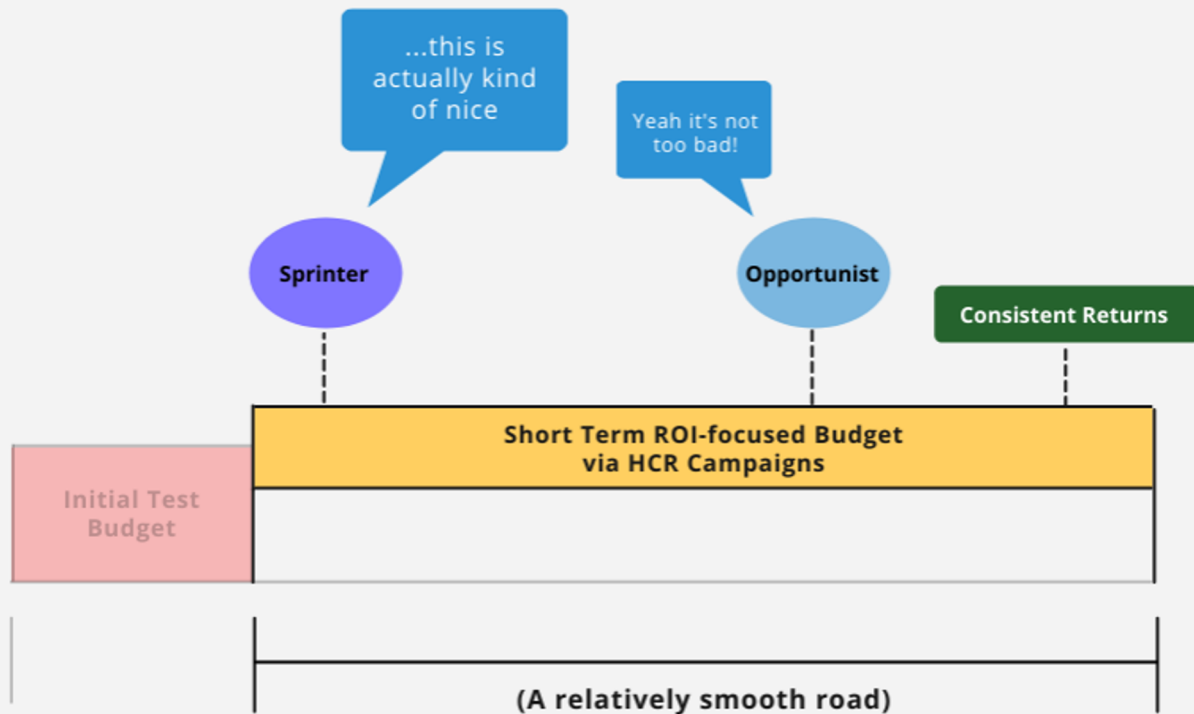## Results Excluding Test Budget
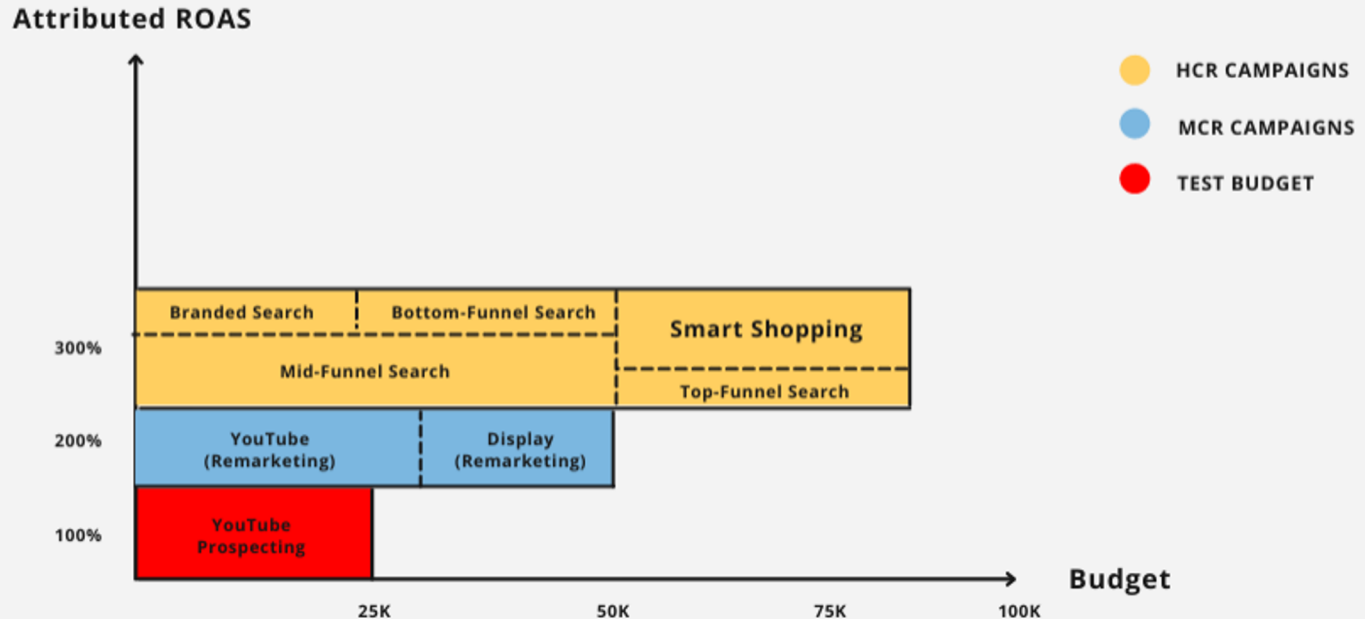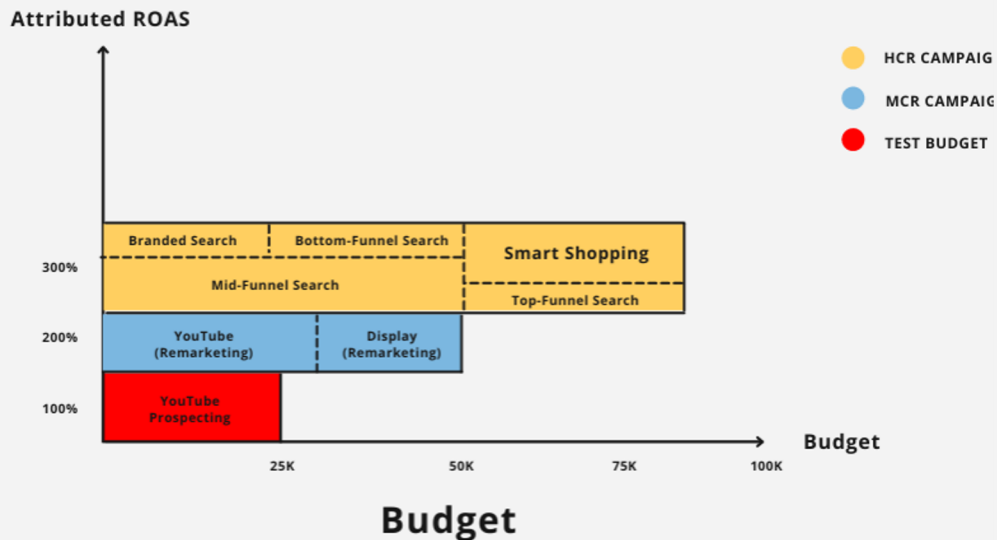
- $125K spend
- $325K revenue
- **260% ROAS**

Enter Dark Horse...

Campaigns **graduate from testing phase** and become HCR or MCR

Overall Results

- $160K spend (150K)
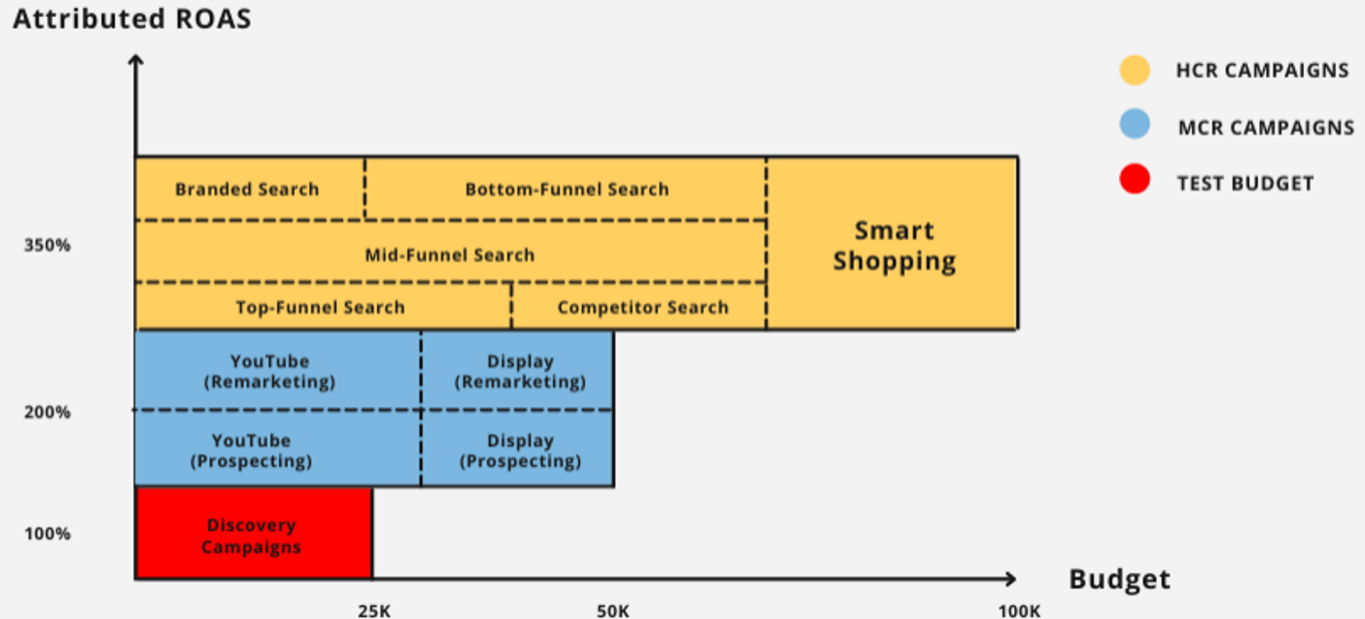- $380K revenue (350K)
- 238% ROAS (230%)

Segmented Results

- **HCR:** $85K spend, $255K revenue, 300% ROAS
- **MCR:** $50K spend, $100K revenue, 200% ROAS
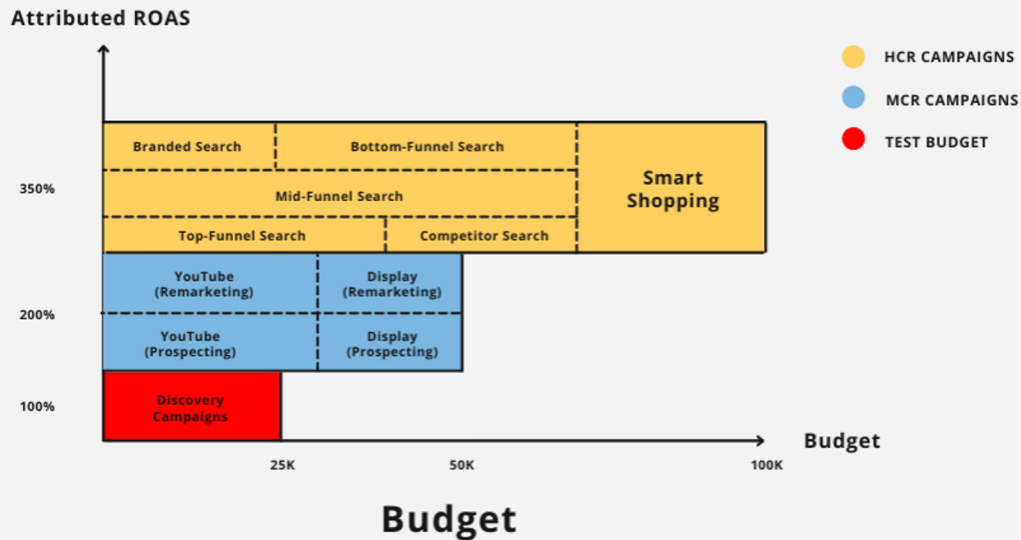- **TB:** $25K spend, $25K revenue, 100% ROAS

Results Excluding Test Budget

- $135K spend (125K)
- $355K revenue (325K)
- **263% ROAS (260%)**

Phase 4: Growth of MCR budget increases TAM for HCR campaigns

Overall Results

- $175K spend (150K)
- $475K revenue (350K)
- 270% ROAS (230%)

Segmented Results
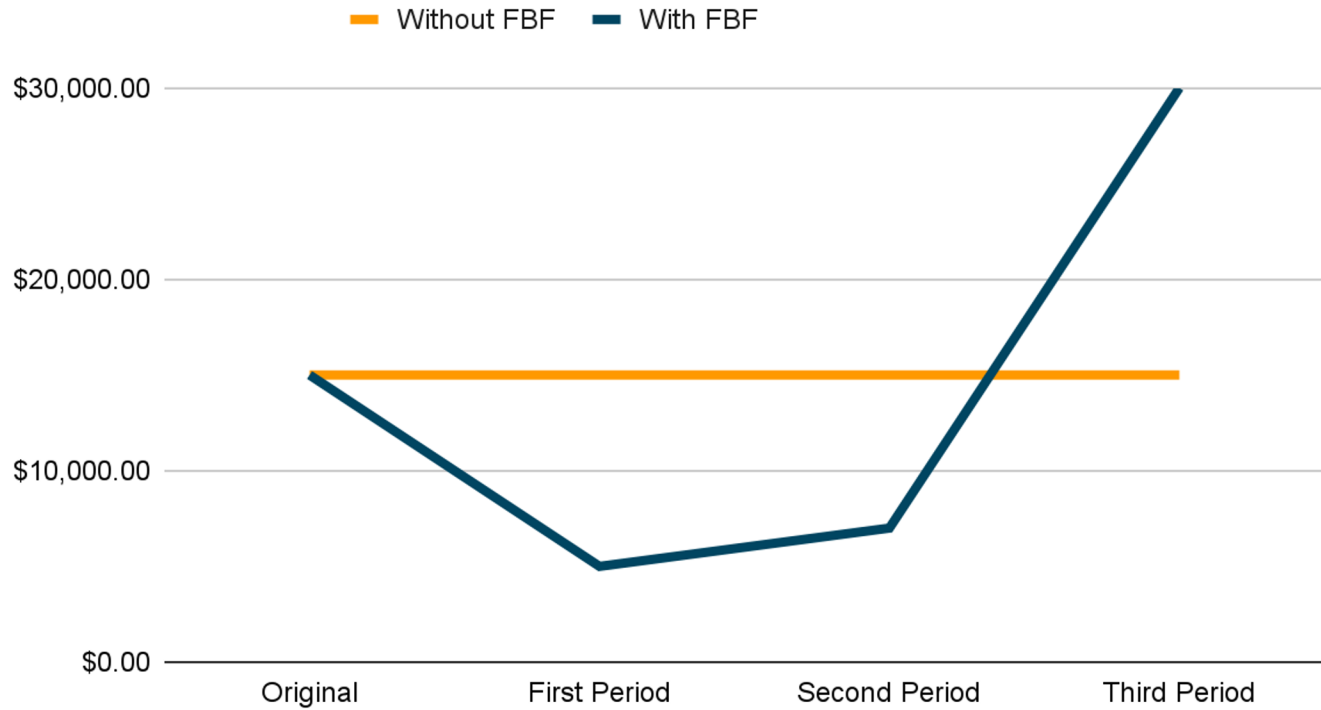
- **HCR:** $100K spend, $350K revenue, 350% ROAS
- **MCR:** $50K spend, $100K revenue, 200% ROAS
- **TB:** $25K spend, $25K revenue, 100% ROAS

Results Excluding Test Budget

- $150 spend (125K)
- $450 revenue (325K)
- **300% ROAS (260%)**

Total Profit

Without FBF — With FBF

$30,000.00

$20,000.00

$10,000.00

$0.00

Original   First Period   Second Period   Third Period

One last question:
How would
Elon Musk
manage client
expectations?

Thank You

joinordiebook.com

@patrickjgilbert