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How to Scale an Ads Account with Charley Valher

To scale ad accounts isn't just about bigger budget. James and Valher Media's Charley Valher unpack the nuances of boosting reach and impact of ads.

Charley Valher

James: James Schramko here. Welcome back to my podcast. This is episode 1044, chatting with my friend Charley Valher. We're talking about traffic today, in particular, how to scale a campaign. Hello, Charley.

Charley: Hey, James, thanks for having me on again.

James: You're always back. But it turns out, we always need traffic. So it's a good fit. And it's a difficult puzzle to solve, I think, because the landscape changes, our products and offers change, the suppliers out there change. There's a lot of movement, I guess. And, gosh, thinking back to when I started online as an affiliate, traffic really was the major thing that I could change to make more sales.

If I got more people to see my converting offer, I could make more sales. And then I actually got to the point where I had a big spreadsheet, it was a huge - it was an A1 piece of paper. In Australia, that is like a poster size, right? And I had all my traffic sources listed down the page. And at two o'clock every day, I'd go and check my campaigns and see if I'd won or lost money.

The fundamental thing to campaign success

It was kind of like day trading. And I was spending thousands every day, just like you are. And I kind of liked it, it was like a game I could win. But it did have challenges. And it's absolutely not for everyone. And so having been there, and then now changed my business model a little bit, I can say one thing is a fundamental.

A lot of this revolves around having an offer that converts. If you can't scale your offer, then there's no point listening to this episode just yet, you might want to come back to it. But if you do have an offer that converts, and you're wondering if you could make more sales, this episode is for you. Your thoughts, Charley.

Charley: My thoughts. What an interesting point to start this off on, because I've come across this many times where it's actually the scaling part is where someone realizes they don't have an offer that converts. Maybe they had something that works in a really small environment when they - I try not to use this term derogatorily but like, you know, sales within their network, right, all the friends and family.

So when people know who they are, and they kind of leverage on their personal brand, and it kind of works, sure, you've got an offer that converts. But when you start really putting something out into the world enmasse through cold - could be SEO, could be ads, might be a podcast, that's when the rubber hits the road on whether, you know, you've done your offer a niche quite well.

Hot, warm, or cold?

James: Well, we could also simply be talking about the difference between a hot offer, a warm offer, or a cold offer. And as you said - actually, I know there's some coaching masterminds that their main model relies on the technique of going to your immediate peer group and milking that resource for leads and expanding through your immediate network, which is a really valid thing.

I literally made a video about this yesterday. If I needed to make sales today, I'm going back to the people who already bought from me before. That's step one, because they already know, like, and trust me, and they've already got the product or service, so they're the most likely to buy again.

And then you're going to work your warm leads, the network, the people who are known to you. And then the cold stuff. I imagine - and I'm just guessing here that if you're scaling a campaign a lot, you might be sort of going into more of those outer rings to nurture and warm up things to the point where they might convert.

Charley: I would go as far to say, in general, people don't hire me if their goals and their network align to fulfilling their business. So if you're someone who's got a business where maybe your network is really strong, and you're not wanting to scale it immensely, like, good on you. Like, you found something that's working for you, maybe you're a bit more of a life stylist.

But that's not what I come across, in general, when people come and hire Valher Media to do their paid traffic. It's because they want to do something bigger. Maybe they have more ambitious goals, or maybe they run a business model that's more attractive to do things like that.

James: Yeah, I mean, the first type of business you described is probably more like mine. I do have a finite capacity on my time and availability and resource, so I don't need to scale it to the moon. It sits at a good comfortable level of the amount of people I deal with and the amount of revenue it generates. And it's absolutely a lifestyle cashflow machine.

And if I had a product that had infinite supply, which, you know, I've been thinking maybe I should, it could be a course or a service where I'm hiring other people, like I used to have with my SEO business. We could supply a lot more because we had a big team. Then that's when I would drive paid traffic.

How much should you spend on ads?

Of course, the other component is you might have an offer that converts but it might not be profitable enough to reinvest back into ads. I'm just going to sort of - on that point - how much of our revenue is going to go back into ad campaigns? Is there a benchmark or threshold that you would look to for different categories as an indicator?

Charley: Yeah, that's a great question. One of the things - when someone does want to scale up more aggressively, you have to spend money on ads first, before you can reap the rewards on sales that come from it - so one of the things I'm always very, very curious about, actually, it's more than curious, it's like literally a tick box on my audit when I do one, is making sure that I understand well, one, is the sales cycle.

So even if a business has a really high-ticket offer, think real estate, right? Some of these offers are astronomical, but many of them don't get paid till settlement, or on completion of a project that might be months and months and months. So if their business model doesn't support them surviving a cash cycle, of being able to reinvest in their business, it may not be a good idea for them to scale at all, or they may not be prepared for that.

Then the other one, which you're more astutley kind of recognizing here, is some people will have maybe a lower ticket offer, where as they start ramping up ads, they're actually going to become unprofitable, they're going to very much need to rely on the back end of their business, and other things working out really well so that they can be profitable. And that can work. But you need to very much be aware that that's what you're signing yourself up for if you do want to scale a traffic campaign.

Keeping up with the demand

James: So I guess it'd be good to future pace then, if you were thinking of scaling your business. Something I used to do is pull out a spreadsheet. And I would look at what that business is doing as you increase the traffic carrying through different potential conversion rates from the front end to the back end. And then in particular, when I had a service business, I looked at how much labor I need to supply the services that people buy.

And for about 18 months, our biggest challenge was not being able to hire fast enough. We grew from two people to 38 people within six months, and we just still couldn't keep up with the work coming through. That would be something you'd have to be cautious about scaling, because you know that there is a breaking point further down the chain, in terms of supply, and then that could be catastrophic for reputation if you make a lot of sales and can't deliver it.

I learned this the hard way when I was a super affiliate. I drove so much traffic to the program that I was promoting that they could not supply. And they got a whole raft of refunds. And they ended up going out of business. I pretty much collapsed them with a too much good fortune.

Charley: What a high-quality problem, I love that.

James: I know, it was a physical product. So it just put too much strain on, like they had all these orders and then didn't ship them out. And people got angry about it, and they got a crappy reputation. And it just - the whole thing ground to a halt, which was disappointing for me because I'd invested tens of thousands of dollars in traffic and never got paid back for that in the end. So I had to carry that loss.

But as our good friend, Jaemin Frazer says, there's a growth opportunity in that pain. And that specific event caused me to switch to a recurring subscription membership, within a month or two of that happening, which was in 2009, my membership started. So it's been a really good response to that situation.

So just a quick recap, if you're thinking of scaling your campaign, you need to know that you can handle the business. Not just physical capacity, though, I imagine there must be other challenges that will be faced from a business owner who's scaling much faster than they've ever scaled before. And I'm thinking mentally, mindset-wise, it has to be a new scenario.

When the numbers get hefty...

And I've been there, and I imagine you are, I've seen some of your numbers, you're spending millions of dollars on ads. I used to spend $30,000, or $40,000, $50,000 a month on ads. And when those credit card statements come in, you can hold that thing in your hand, back in the day, you hold the statement in your hand, and you think, oh gee, you know, it's pretty heavy. Is it going to require a change of thinking?

Charley: Hugely so. Even right now, we're doing a rather large campaign for a client right now where we're going to spend about $250,000 US in a single week. And it's nothing for this organization routinely to do a million dollars in a month. And the things that go into that are very, very different.

Now, a failed split test when you're spending a couple of $1,000 a month on an account, you know, might cost you a few hundred bucks. But when you get to this level, the amount of capital you have at risk, if things don't go as well, it can very much challenge you. If you don't have your like, money mindset in the right place, or you haven't tested things well up until that point, the risk just goes through the roof, it really, really does.

I've come across many accounts, which they've scaled too fast. So maybe they've gone from spending a couple of $1,000 a month where they're really trying to spend like 50, 60, even up to $100,000 a month. And because they haven't done enough sequential work to be prepared on that account, if things do go sideways, they're very, very challenged by that, very challenged by that.

And I think there is a certain amount of mental fortitude that does need to go into being prepared for when you do scale is you will be challenged by this. Like, you know, if you have a bad day in ads, it doesn't cost you $100 now, it costs you a couple of thousand. And expecting that type of volatility can be a very powerful way to, I suppose, lean into that as well.

James: And I suppose it's quite a valid concern, because it is big stakes. What do you do as an agency on your side of it, to reduce the potential for a catastrophe? Because I imagine, if things don't go well, you're right there in the crosshairs.

Charley: Yeah. So it's very different, managing small accounts to managing big accounts. It is. And there's many like, little loopholes you can do or very like, niche-targeting things you can do, where if you're just running a couple of $1,000 a month, you can get a really great return. And I'm not going to knock anyone that does that. It is their business. Because it’s very advantageous.

James: Well, like me running an ad for my own name is an easy campaign to run. Small volume, high return on investment, very low risk.

Charley: Exactly. Great example. Now, if you want to scale to doing, you know, hundreds of $1,000 a month on that, it just doesn't work. So you have to be able to do things that work at a broad and cold level.

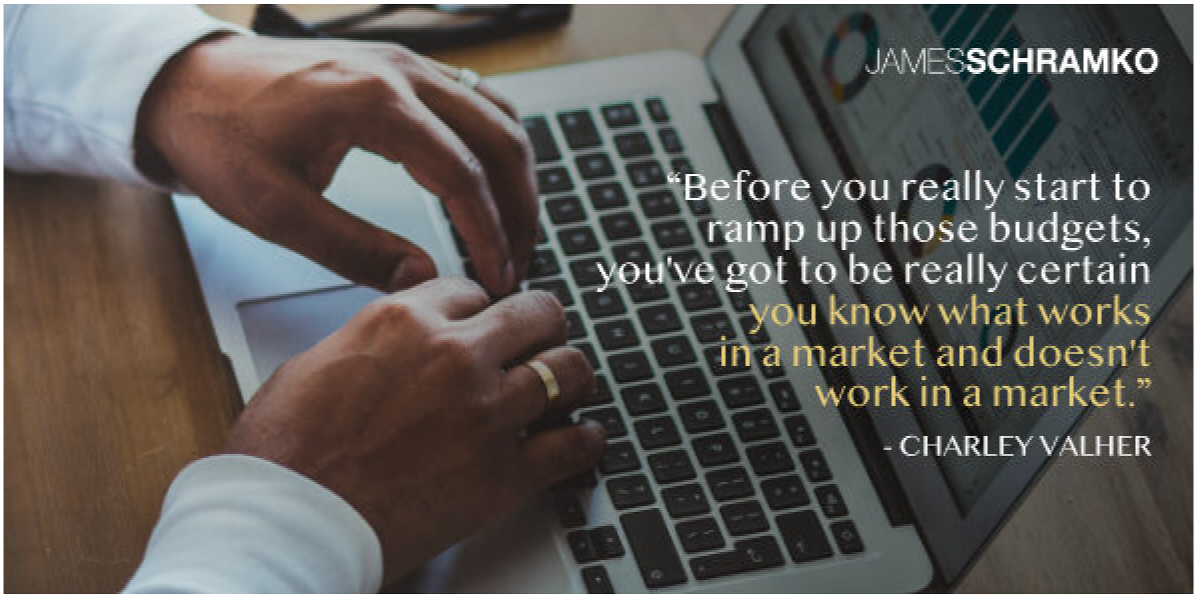
James: Well I literally couldn't buy - I can't make more people search for my name as easily as, you know, unless I go and do something bad and get in the news, and cause people to search. It's like, there's going to be a certain level where, like, I max out the amount that I can actually buy with that type of campaign.

Charley: Exactly. And to give you another example, there's some placements we buy on YouTube, which are like, very niche keywords. And for some of those clients, they're amazing. But there's just not enough volume in that so that they can scale it to the moon. Let's go crypto terms today, I like it. To the moon. Anyway.

So I think one of the things you have to recognize when you want to go substantially more is you're going to be going to a wider market in general. And having something that can convert off to a broader market is going to be key. But I want to unpack that a little bit, is when I take on an account, and let's say we're going from $10,000 to $100,000 a month, just to use round numbers.

Having a hook that works

So we're already spending a substantial amount. But now we're increasing it substantially more. It's not a matter of just going in there and turning up budgets. It really isn't. And one of the first things I like to do is make sure that we've got a very dialed-in hook we know works. So you may test a whole bunch of different opt-ins at this point to make sure you know what actually works. So as you start to move it up, you're reducing the risk by knowing what actually works.



So in the scaling stage, before you really start to ramp up those budgets, you've got to be really certain you know what works in a market and doesn't work in a market. And if you need to spend a couple of months not scaling an account to be dialed in what's actually going to work, I think it's well and truly worth it.

Now one of our clients in the coaching space, there's a page on their website, and there is 15 different lead magnets we built for them. And it took us actually testing 15 different lead magnets to know which one was their winner, to know what topic was going to be the one that was actually able to scale.

And while we had many strong opinions - and the one I thought was going to win didn't win, I'll say, so even my best thoughts and judgments weren't the one here - once we knew that, that was the one we were able to take to the market in a broader sense. So part one, you've got to find something and identify a winner that can work at a broader scale, when you go to scale. Once you know that, I think a really important thing to recognize is to actually do it in different variations.

The multi-modality strategy

So to not just have, let's say, a PDF download, in this example here, but to also make maybe a book, make a mini-course, make a VSL, like lean into the other formats. Because I find what's really interesting is that many people when they're trying to scale campaigns, they've got a really good lead magnet they know works, but then they'll try and find another lead magnet to replace that one rather than recognizing, well, if you already know that a certain angle works in an industry, then it's actually going deeper into that one and touching the other - what's it called, there's like the auditory and then visual...

James: Multi-modality.

Charley: That's it, modalities, leaning into the modalities of this and actually being able to go wider with it, which I think is an incredibly powerful idea that not enough people lean into. So then like, go-tos in the beginning. Once you start ramping it up, though, I think it's important to be very progressive in how you bring budgets in. Because the faster you go, to your point earlier, your likelihood of breaking things down the line increases.

So whether that's supply chain lines, whether that's hiring times, but it also just increases your risk because you may find out you maxed out the platform at an earlier point, or you find challenges that you didn't expect. And if you've got a lot of budget at stake there, that can be way more risky for clients as well.

So I'm a fan of a bit of progressiveness there. And then once you reach the maximum platform, then and only then do we really start considering going on to other platforms. Like you might be strong in YouTube ads in the beginning, you're going to reach a max-out point where you can't spend any more there in your niche potentially. And then and only then does it become the time to lean into things like Facebook ads in this example here. So I think it's powerful to think about it in that type of sequencing.

James: So you're throttling on different platforms as they become required. Do you have them talking to each other, creating data sets and cross pollinating, remarketing lists or follow up campaigns?

An example to go with the theory

Charley: Absolutely. Maybe we do an example, I think some of the things that I talk about here work well in like, theory. But if you haven't got an example to go with it, it can be a bit of a - how can I put it, too astroterical in this one here, so I'll make it a bit more real for people.

James: I'm definitely going to have to look that one up. Sounds like…

Charley: Let's get the vocabulary going today.

James: …fake grass. So I think examples are great. I mean, I always hope that the things we're talking about are based on actual scenarios. And that's hopefully the value we bring. I know when I'm talking about my own experiences, that has helped me get to the way that I think now, for good or bad. And the way that you're seeing the campaigns now, you're basically, you know, it's another decade and a half down the track from when I was really deep into this stuff. And it's fascinating to see, there's a lot more platforms now.

I imagine there's a gazillion competitors. And at the same time, the clients must be quite aware of what options they have. They'd be pretty savvy, and they may have even tried a few other places. I do have just one question, then go into this example. The question is, do people come to you before they try this? Or do they come to you after they've tried this?

Charley: In general, I would say in 80% of cases, they've attempted to scale, and it's failed, is what I come across. Very rarely do someone come to me, like painkillers versus vitamins, I might get the occasional vitamin, you know, someone who's trying to prepare before they tackle it. But in general, someone's had a bad experience scaling ads. And I don't want to say melted a credit card. But I've certainly seen that as well.

James: Well, I mean, it's kind of like the casino in a way, like the house has got its own things in play to make sure they get paid. Whether you win or lose is locked down to a talent and a little bit of luck. But I'm interested in hearing about this case study of yours. Any sort of examples you've got are really helpful, I think, to get the message across.

Charley: We might even be able to do a couple here, but I'll start with one, I'll start with mortgage broker, because I think it's a very digestible one, everyone can understand this one at the surface. So this is someone who essentially when people buy property, they are the provider of the loan, they're the ones that get people access to the money.

Now, to your point earlier, this person had very much like, maxed out their network, like a lot of mortgage brokers are very strong in networking and referrals, but it just kind of tapped out. Now, they attempted to run something on Facebook ads themselves, but it just didn't go well. So first thing we did is when we brought them on, is we just understood, and this is a really key point here, if you're a mortgage broker, even though you might make a sale and get a client for a loan, you don't actually get paid till the loan settles, which can be like 90 days.

James: It could be five years. I've just signed off on stuff that's been five years in the making.

Charley: There we go.

James: And so, that is quite a long timeframe. And you can see in the document what the commission will be. That's obviously, I paid nothing until now. So it is a long cycle.

Charley: So dangerous for them to scale their ads really quickly. Imagine they naively went into scaling these developments, spent a heap of money acquiring these clients, and then for whatever reason, maybe land titles don't get released, or whatever it is.

James: Or there's a pandemic.

Charley: That will do it, that will definitely do it. That's five years before you see cash. So very, like you’ve got to be on this stuff in a big way. And this is what makes it so meaningful, everyone kind of ignores this point, but stuff like this happens. And it isn't like, hiring became really challenging as well at a point not too long ago, or supply chains got disrupted. So it's huge to know where your potential bottlenecks are and how fast you can go based on that. That's point one.

The second one is, and I really like this one, because mortgage brokers on the surface level like, essentially have a lot of the same products. It's very rare to have something truly unique in this space. So developing a moat can be really difficult when it comes to doing it. So the way I approach this one is we very much looked at like, markets.

So we had like, first home buyers as a market, investors as a market, and then upgraders as a market. So there were three distinct markets I wanted to test. And then the hooks within those markets, you know, helping people in their first home, versus the family that wants to upgrade, versus the investor trying to grow a portfolio.

Now, what was interesting, though, though not that interesting, is that the ads performed wildly different, like wildly different. Now, I thought, in this case, here, I thought the investors would be a better market. In Australia, particularly, it's almost like a - I don't want to use the word cult, but not far off, where properties are - I'll call it almost a religion, I would say, it's just very, very, it's a big topic in Australia.

I thought that was going to be the winner. It absolutely was not, wasn't in any way. So I was looking at that and going, Well, that's out. The mom and dads were the winner, they were the winner by a longshot. So when we knew that mom and dads were our winner, the next thing we did was make sure that we were able to create some unique things to go through it.

So this is people that want to upgrade versus people that just want to save money and get a better rate on their deal and save money. So we developed a couple of hooks to work with from there. So really pulling out that key market in the beginning. Now it took us like, I would say, a month, just to work out which market was the right one to scale, where if we just skipped that step, and naively just followed my gut here and gone with the investors, would have been very easy to go off course with this one.

Once we knew that one, lean into the modalities. So we had PDF guides on how to save money on your mortgage. We also had people able to book in and get a mortgage review, if you wanted to come and have a look at what's doing here and they could get that done. And then we also had, like, a case study video where essentially, it was like a Loom recording where people could opt in and then watch video on the internet describing, like, the cost of not taking action versus being able to get through this as well, which was really powerful. And then last, but certainly not least here, was we had a calculator. So people could come in and put in their details, and then essentially see what they could save or gain in this example.

So four very different modalities to work with there. And then we were able to start ramping up budgets quite strongly there. Now, notably, some of the ones here, I think, obvious like, you know, people who download a PDF, they're not booked in as a client yet. So the nurturing side of things on the back of these has to be in check as well.

But from there, now you can start actually moving your budgets up. Now I started this campaign just on Facebook to begin with. I felt that because we were targeting millennials, millennials tend to be quite strong in Facebook and Instagram. So that was my platform of choice. And we started ramping it up progressively, progressively, and progressively, and really just trying to stay in the limit of what they could afford within their cash cycle.

So it wasn't that this had a limitation on basically what we could spend on the platform. It's a big market. It just ended up having some really interesting, unique challenges around the client there. And it was kind of funny, because along the way, they kept asking when they would go on like, TikTok ads or YouTube ads. Because in their mind, the key to being able to scale this was being in more places, where the secret in this one is actually like, maxing out Facebook and Meta particularly here, because that's where the best opportunity is in this market.

And it's only when we max that out, do we really want to step into then we'll do YouTube ads, or then we'll do TikTok, although being it was moms and dads, I really wanted to lean into YouTube more here. And that's kind of where we're at today with it.

James: How did you answer that question?

Knowing what the client doesn't know…

Charley: Well, I'll frame it a different way. If I wanted to go and get a new mortgage, right, I'm going to have all these views and perceptions. But I'm not in the industry. Right? They see it every day. So they see it really differently. So I have to recognize that I'm exposed to a whole bunch of data and information that they're just not. And it's a bit of an education process.

So there's this fantastic metric in Facebook ads, which is frequency. So this is the amount of time someone's seeing your ad. And it was really showing to them as like, just how little people are seeing what they're doing right now. So the ability to scale that and give them something to lean into that was tangible made all the difference

James: And the cash flow cycle, because it might take months until they start getting a trailer commission or a kickback from the bank?

Charley: Yeah. So in general, the way the mortgage industry works is, let's say you make a sale today. Cool, they've got their mortgage, and then it settles 60 days from now. They don't actually get any payment till the settlement on that 60 days.

James: So it could take them a couple of months until they get confidence that what you're doing is ending up in their account.

Charley: Well, they can get confidence because they do in the deals. But as for when they get paid for it, they've still got to have that delay as they would with anything else.

James: So it's not like an e-commerce store where often the constraint is being able to restock because they've got to buy stock and often wait for shipments, etc. Could they lend against it if they got to a point where they're very comfortable?

Charley: Well, funnily enough, I did ask that question. So some brokers, being they are dealing with debt all the time, you know, this is their space, have come to us with the idea of they’ve found ways to get like, business loans that would fund this gap. So a potential way of scaling this broker in particular is they were going to get a loan to actually fund the gap so they could grow more aggressively. Otherwise it can be quite a drawn-out of long experience.

But a lot of cases, ads isn't the first place mortgage brokers start, is my finding, they do the networking thing. So in a lot of cases, they've already built a business up to a certain point where there is some backing and hopefully some savings there as well, and they're using that to kind of grow that in combination.

Leveraging the client's data

James: How much of their database can you reverse engineer to get your hypothesis? Because when I'm coaching somebody, I'll ask them who they've already sold to, and which things were most profitable, and if it's an e-commerce store, for example, it's easy to pull out a spreadsheet. They can look up all their product lines. I've noticed all the service businesses are less likely to know who their best customer is unless they drill down on the data. But do you use that as a starting point?

Charley: So in this case, here with this broker, investors was their clientele, for this.

James: That was their niche. Because as you were saying, you know, you're trying different categories, different hooks, I'm thinking, this would be a fantastic process to do before you get very far down the track, because I have helped someone who deals with one of those categories you mentioned, and he's always struggling.

And the very first thing I said is, Is this the best category for you to be focused on? You've got all the same engine that would work for other categories. But this one just seems like hard work. In fact, I've got a couple of people at the moment. Like, seems like I'm the only one who can see it sometimes. They're in it.

I've got another one who's in a super saturated, highly competitive, commoditized category. And I've said to this person, I'm watching people around you absolutely flourish, and you're struggling here. But you have more talent, more intelligence, more capability, a better team, I think you're just swimming upstream, right, in your category. So this testing phase, I mean, it just sounds like an amazing thing to spend budget on no matter what size business you're at, as long as you're making a few $1,000 even.

Taking a long-term mindset

Charley: It's being able to take a bit of a longer-term mindset and then being open to the idea that what worked in other forms of acquisition may not be the best way to do it when it comes to ads. So in this case, here, the mortgage broker, just turns out he was an investor himself, he'd built a network in the investing space. Turns out to convert people in the investing market, you need a lot more trust.

And not only that, a lot of investors already have a broker who got them to this point. So it's like a switching cost. And they’re very sticky to someone that's helped them. Where in the mom and dad category, which maybe they got a mortgage 10 years ago, they don't even remember who the person was. So there's less loyalties around what's been done there. And also, we've said, opportunity.

So again, in this case, here, one of the things I'm kind of looking at to scale this one further, is referrals on the back of it. Because if you've been able to get someone a really good deal, it's like the chances of them having friends and family that also may want to refinance is particularly high. They might not scale to multiple properties, but it's an interesting way of looking at this campaign a little bit differently.

James: Well, and also, they might switch categories from time to time. They'll eventually have a child get up to the first buying phase. And they might also buy a second, third or fourth and so on property. And that's like the relationship I've had with my broker for decades, where it'll be either a primary place of residence or be something to invest, but it's the same broker.

They do one thing particularly well that I think has made them very sticky. And that is, they reasonably, frequently, go back to my supplier and renegotiate a lower rate on my behalf. And then they just tell me they did it. Like, that would stop churn. I never feel like they're happy just to milk it to the end on the old rates. They're doing proactive sharpening of the pencil on my behalf. Even though they probably take less commission every time they do that, they keep the customer for a long time.

Charley: Great long-term mindset on that one.

James: Yeah.

Widening one’s geography

Charley: I'd love to use another example here, James, just a different way of thinking about scaling accounts. Because like the mortgage broker one is very like, Australian-focused here, or one-country-focused. One I've more recently done as well is I've been working with someone who's in the coaching space.

They have an online - I think it's 16-week program, I can't quote the weeks off the top of my head - but they've got an online program where people come in and then sign for that. And they’ve just been focused in Australia. And they've actually done quite well in scaling their account from like, I think they were spending about $4,000 a month, and they've worked it up to about 40,000. But that is hitting the ceiling on it.

And for them, one of the really tough conversations we had to have with them is that you're kind of maxing out Australia in this niche. And they were a bit unwilling to go into the US, because what it would mean for changing the dynamics of their sales team and coaches. So I said, Have you ever considered, you know, can we run ads in the US, because it's a massive opportunity?

Now, did it take a little bit for them to become more receptive to that? Because I think it's not just asking them, Hey, can we run ads here, they've got to be able to deal with the implications of dealing with the US and what it means with hiring salespeople that can work that time zone or are over there, there's a bit of work in it.

But when they got over the line, one of the most mind-bending things I have seen is - and we'll just use round numbers - is they were acquiring leads for about $100 each. By going into the US on the same niche and the same offer, but just a massively bigger market, we're able to bring down their lead costs to like $60 instead of that 100. So it come down by that 40%.

Now, when you translate that into like, the spend, now the bang for buck they're getting out of it, and also, not having to pay GST on US sales, was transformational in their ability to be able to scale up their account. So what can be great when thinking about scaling sometimes is you can be maxed out in one pond. And one of the really powerful ways to do it is actually looking to other geography.

Now a lot of people in your audience will probably already be selling to the world in general. But it still surprised me that that's just one of the unique ways in which scaling can be really powerful, is going into that multi-country stuff.

James: Like, it's my favorite trick in the book - .com, US dollar. And had I not gone to America in 2008, I may not have built that market. I got on the plane and went over there and kept going back. Sixty-five percent of my customers are outside Australia. And I love that.

Because when I was at Mercedes-Benz and with Vodafone and with General Motors, what I kept seeing this statistic, that usually Australia was about two percent of the worldwide market. When you go to the USA, Canada, that North American market, and you might as well throw in a bit of UK, Europe there as well, like the numbers go up dramatically. It's so worth it.

Charley: Yeah, really, really powerful on that one.

James: So geographic arbitrage, and it doesn't necessarily matter where you are these days, it's just more a case of whether you have a local business or a global business. And if you're selling electrons, or you're selling services that might be supplied by a distributed workforce, it won't really matter where you are.

How the terms of payment affect things

So you've given us a couple of examples. In that case, I imagine the coach is getting paid fairly quickly in the cycle.

Charley: Well, that's one that does scale up a lot more quickly. So if you think about, if you're someone who has a 16-week program, particularly in some sort of like, LMS, where you've got, it's an online thing with maybe some sort of a group support, you don't have the limitations in the same way. But I will say you absolutely have them in another way that is a bit unique here.

A lot of coaching programs will sell either what is known as a PIF, Paid in Full. Or they'll sell things which are paid over time, where people might pay weekly for the 16 weeks in this example here. You've got to be really cautious of that if like, if you're a business that just gets all the cash upfront, your ability to scale quicker because of that cash cycle is definitely enhanced versus someone who's been drip fed cash over 16 weeks. So that's an interesting thing I've noticed.

But a lot of businesses that have a long cash flow cycle or a payment plan often seem using some of these, what we'll call like, I don't know if you call them payday providers or whatever they are in the loan terms where they'll have a backing of a company, like I think Payright is one of them. I think there's some others out there in the world. I won't name any of them. I'm not sure if they're any good either. Please don't listen to me. I don't deal with this.

James: They are, I've heard of this. They'll provide the funding now. And then the student will pay them over time.

Charley: Hugely so.

James: So it is an interesting one. I've seen people where they get big paydays and then they don't manage their cash well. So it's more steady and safe to get paid recurring. But the other problem you might have is people fatiguing on their payments, not honoring their full payment plan. There'll also be - you have to allow a reasonable time period to see if there are refund requests, or chargebacks, which can also happen in that market, especially if you're selling to clients who are really on the borderline and don't have the perfect dream experience. They might just be unresourceful and decide it's easier to deny the credit card charge. So there will be things that shake out. But I imagine after a couple of months, they will have got a very steady understanding of their metrics that would scale out.

Charley: I'd also say the fees are worth really considering here. I know some organizations that use these and the fees can be between 10% and 15%. And that can be massive, absolutely massive for some of these businesses. So I would question if it's right for all people, because that's a big haircut on what are your margin.

James: And I think also, this is the point where we talk about, there are - in some countries, and I think Australia might be one of them - there are some legalities around charging a different price for part payments versus full payment, because you could fall foul of sort of being a quasi-lender.

I'm not a lawyer, and I'm definitely not giving advice. But I'm saying you should speak to one if you're going to go heavy in this stuff because if you say, Oh, this is the price, but it's more if you pay in installments, then you're sort of becoming a lender now and charging an interest rate, effectively.

And I believe that could cause some trouble. Whereas if you say this is the monthly amount, but you can save by paying less upfront, apparently, that is a more acceptable way to do that. So you might take less money to get paid up front, but that money is in your bank account, and you're not paying the interest rate for intermediatry.

Charley: Yeah, massive one there.

James: Yeah, actually, merchant rates in general, if you're doing a million dollars in revenue, your merchant rates really, really add up. You know, it's like worth a car or something at the end of the year. But it's also a cost of doing business in some ways. And it seems, certainly in Australia, with the closing of all the ATMs, we're rapidly moving to a cashless society. So aligning yourself with getting paid in a way that's easy for the customer is always something to consider.

In a recent episode, we were talking about the Apple payment system. It's very easy for someone to just hold their face to a phone and buy something. Even if it costs you a fair bit, they're in instead of on the fence. So removing that friction.

The fastest growth Charley's seen

What is the fastest you've seen someone scale?

Charley: One account I've actually encountered and being a part of is we were able to take an organization from spending about $20,000 a month to $200,000 a month in a three month window. Now, a lot of things have to go right for that to happen. Like, a lot of things have to go right. Now to the point is they could do it due to the nature of like, zero cost of replication and what they do. So it's an info product.

The other side of that is they have the cash available to do it, like to fund in at that rate, which was a hugely important one. And then coming back to the earlier parts of this conversation is like, hot niche right time. So I can't pretend it was just Charley's magic on this, I like to feel that we did an excellent job in supporting that. But on the other side of it, it would be foolish of me not to acknowledge market dynamics being right, like market dynamics were perfect for this.

James: Perfect storm. And who's paying for the ads?

Charley: In general, the client. [laughs] We don't pay for ad spend in what we do. So we're a retainer service in the way we cover things, James.

James: So they bring you in and you strategize, set it all up, run everything. They're hooked up to their payment system, and you're overseeing and managing the budgeting and the spend and the strategy behind it.

Other payment-related things to look out for

Charley: Can I share a couple of unexpected things that happened on that campaign that are just flashing back to me on this one?

James: I think you should.

Charley: Oh, this is a funny one. So we started scaling up this account. And Facebook has an interesting thing that goes on where it's like, they charge you every time you spend $1,000. Now, I want you to imagine the history on this credit card is, you know, cool, we spend a little bit of money, spend a little bit of money. And then as we start ramping it up, it's getting more and more aggressive.

Now, if you start getting to the stage where you're spending $100,000, and you're getting a charge every 1000, all of a sudden, you're just seeing all these charges come through. We've actually had, and, in this case, here, the credit card companies shut down the credit card because they thought it was fraud. They thought someone found a way to hack this card and was just trying to max it out.

So one of the things that becomes really critical in risk management when you scale an account is actually making sure you have multiple credit cards from different providers, because the technology that's out there in fraud detection can be very interesting these days, and they'll actually shut it down or restrict it.

Now that was a fascinating example to hear from the bank, but they weren't able to run ads for a week, and the cost of not being able to run ads in the week is substantial here. So I think that's a really important mitigation to have in place when it comes to it. Another one that I find really fascinating is that when you run these bigger accounts and doing more of it, because there's enhanced risk, again, you've got to make sure you know your Facebook policies really well.

And there's a really powerful section in the Business Manager, which will tell you the state and health of your account. It is imperative that you're on top of, if you're running close to being a banned or restricted, like that can do an immense amount of damage, if not well done. And I also really encourage being verified with Facebook so you do get access to, I'll say, more support, won't say the best support you've ever had. But I do think that's a really important part of it to have in place there as a part of these ones here, is making sure you can access it if you do need it. So, massive one.

But in the theme of this conversation, one of the things that I think can be helpful for people when they run ads, and I notice this particularly is like, you've got to be careful of the lens you look at your account through in ways of time. So I've never come across a Facebook account, or a YouTube ad account, which gives the exact same amount of leads for the same cost every day. Never, hasn't happened.

And I think when people start scaling, and a lot of those money beliefs might come up or nerves of like, Oh, we're spending a bit of money now, we need this to go well, if they have one bad day or two bad days, is a bit of panic can set it, and they can project forward that they think it's all going to, you know, their business is over, end of world.

Where I like to really set this expectation, and this is my finding, for the accounts we manage at Valher Media, what generally happens in a month is we're going to have one standout week. It's going to be a week, which is like it's, we’re on, everything's converting. There's going to be two average weeks, and then there's going to be one week that's a bit of a stinker for whatever reason, whether your credit card won't work, whether the creative changeover didn't hit in a way you would expect, whatever happens is there's one that's going to be a bit average.

Now over the month, you're going to be smooth. But if you are too tightly tuned into the daily performance, it can almost lead to like, a mental health challenge, where they become quite stressed from it, which I think can be a danger when you're starting to ramp up to bigger things as well.

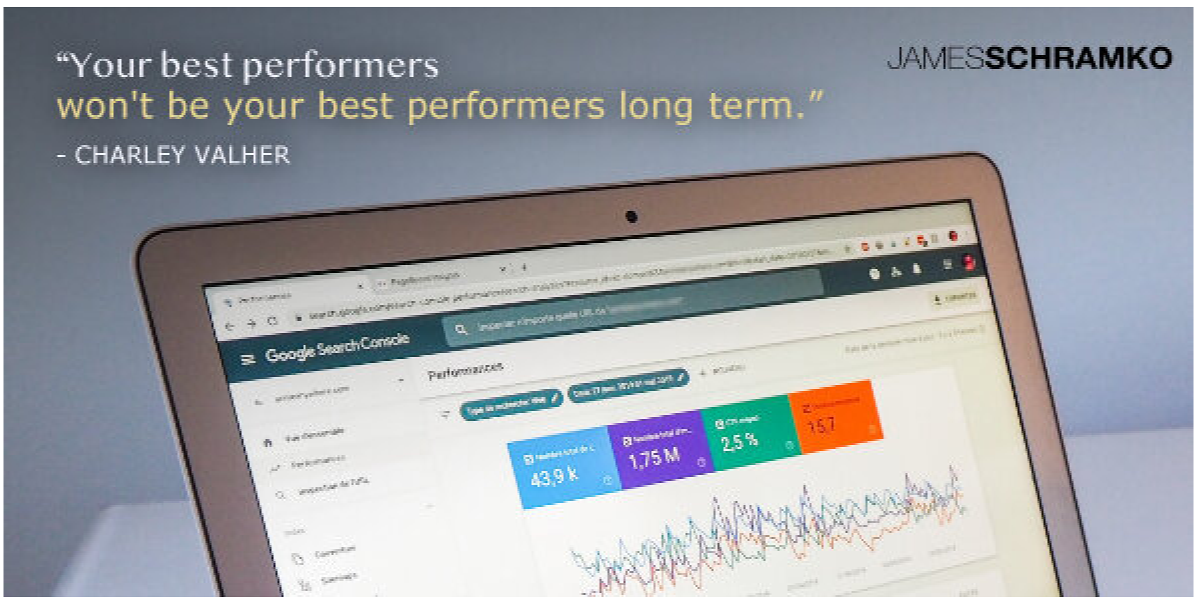
James: Reminds me of stepping on the scales when you're on a health journey. It can go up and down by half a kilo just depending on if you had a good sleep or you drank an extra cup of water or something. You'd want to look at it over a longer period. But I think that's really healthy fortification for someone to be ready for that challenging thing.

You gave me a bit of a flashback too with the older, the $1,000 pinging. When I was overseas recently, Telstra kept sending me a notification that they've billed me for $10, because they charge $10 per gigabyte. But when I changed my phone plan from the old one to the new one, it's like $10, $10, $10, it's coming through like a few minutes apart.

Charley: You react, right?

James: Yeah, I'm like, I just went and turned data off, like this is ridiculous. That's extremely expensive. I'm going to just wait. I don't really need my phone doing all this stuff in the background. So yeah, but it costs you. It changes your whole awareness level. And not everyone has that risk aversion that allows them to carry through the dips that are inevitable.

And I said in a previous podcast episode, you know, this entrepreneurial journey, it's often like two steps forward one punch in the face. It would be unusual to have a campaign that you just hook up, it all runs very smoothly, and you have the magical unicorn, fairy dust ROI that is best in the world. And there was not a hiccup along the way, nary a hiccup. There's probably going to be some challenges.



What makes an agency good or average

Charley: Massively is. And I'll throw one of the things that I think separates the average agencies from the good ones. We know that an ad is going to stop working, eventually. Even a winning ad stops working through banner blindness over time, right. So your best performers won't be your best performers long term.

And you mentioned this at the start of like, it's not an industry that you can treat like concrete, where you just pour a slab and leave it. It's more like a garden where it's constantly tended. Things are constantly changing, and you want to be on top of those changes to best succeed. Now, if you leave a garden untended, not going to go well. Like, bad things generally happen in that circumstance there.

So what I find has been like a really big difference maker for us is that when you as a media buyer, or when you're running these things, start to think about, we know this is going to stop working. At some point. We hope it lasts as long as it can. But we've already got the next ads and campaigns ready to go, so that when challenge arises that we can switch really quickly.

We could look at an account and any of our accounts right now, if everything failed in that, in 24 hours, I've got new stuff up, where the agencies that aren't prepared or expecting that to change, when the account stops working, they've then got to come up with their next idea. And I’ve found that that can sometimes take them two or three weeks.

Now in the budgets we're talking about, two or three weeks can be really expensive. So one of the things I come across routinely in the audits and even when speaking with other media buyers, is they're just not prepared. And you have to have a level of preparedness when you start playing with these bigger budgets for the reasons we've just kind of mentioned here.

James: Do you think because you're also an investor that you have built an awareness and a fortification against the challenges that are going to come along the way?

Charley: It's interesting, it actually came from an investment plan thing. So once upon a time, I did try then to be a day trader. We won't go too heavily to that, James, didn't go well. I'm not built for it. But one of the things I find really interesting is they had this thing that would go, it's really important to have rules in your trading plan because when the trade isn't going your way, you stand to emotionally react and make a bad decision. I think that's pretty common in many investment.

James: Well, it's the one difference between amateur traders and people in an institution. If they have two bad trades in a row, they'll be sidelined for a week. The amateur will try and win it back like a casino, and lose it all.

Charley: So that's what amateur media buyers do. And I want you to imagine this is that for the general media buyer, when they've got a client, they want the client to win. They're not out there trying to lose, because an account running well means they get paid, happy clients, referrals, all the stuff. But if they've got an account, and maybe it had been working, and then it stops, they panic a little bit.

And I've never seen someone write their best copy when they're panicking, or come up with a fresh hook when they're in that panic. So for me, what I noticed in my own journey was I'm like, I've got to have this stuff prepared before, because if a client account is performing, and then it stops, I'm then producing garbage, which then ensures the account gets worse. Right? That's where the ruling kind of came from.

James: Cycle of doom.

Charley: Absolutely. But then the other side of things is, I noticed when I did this, is the ability to move quickly stops the client going into that cycle of doom, where if it takes you two weeks to come up with a new idea and get it up and running, that's two weeks your clients sitting there on nerves, maybe questioning if they should keep you on. So I look at that as an agency way of reducing churn, keeping good client relations, and just getting better results and having a better product, which I think is critically important.

James: Well, I think you know the secret, and it's the commitment I made to myself when I quit my job, that I commit to innovation. I'm always working on the next stage of my business before anyone else will see it, because I knew from being a super affiliate, back in 2008, about the offer fatigue.

I woke up one morning, and someone else had cloned all my AdWords. Exact same ad copy, exact same product. It's just basically, it's like, you know for a fact, over time, things are going to get copied or fatigue or change. So if you put aside some time and effort and energy into thinking about what it needs to be in the future, and you start working on it before you need it, you'll survive.

And the thing I like about you, Charley, and I hope you don't mind me saying this, you're very thorough, you're a bit of a stickler. And I think that's a good skill to have when you're playing a game that has high stakes and risks, and a large amount of responsibility. And I appreciate that. Thank you for looking after all these people that come along and get an audit.

Charley: Appreciate that, James, thank you so much. I care a lot. And I do take a huge amount of responsibility with the numbers we're talking here. It's like, it's not small amounts. And I recognized for a lot of these business owners is that can be the difference in them being able to pay their team. So I often feel the responsibility that comes with it and take it very seriously.

James: Well, from one responsible guy to another, I say thanks for this episode. If someone wants to find out if you could help them scale, what should they do?

Charley: So they can go over to the newly revamped Valher Media website. So valhermedia.com. And then we also have a review page if people want to go to valhermedia.com/review. If someone did want me to review their account, leave your details in that. And then I'll be able to look over it and give you some - well, honest feedback is what I promise - and then on the other side of things and context of this conversation, I might open some ideas on how they could scale it.

James: Well, it sounds like a winning strategy for everybody. Thank you. All right, well, this is episode 1044. We've covered some pretty good ground there on scaling a campaign. And if you got all the way to this point, then you have a pretty reasonable understanding of what to expect, what it might look like, what challenges could be along the way, how you would know if it's not going the right way if you've tried it before, and also how to fix it. So thank you, Charley.

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