The SaaS Multiplier Method

The fastest and most reliable way for SaaS companies to multiply their PPC profits

Steve Gibson

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Introduction - 643% growth in 7 months

They didn't expect much.

When KashFlow hired me, they'd already been advertising on Google for 8 years. They'd worked with two "big name" PPC agencies. They'd had good results, but hoped I could do a little bit better.

Within 7 months, I'd increased their Google Ads profits by 643%. The company was then sold for **£20 million … double its valuation just 12 months earlier**.

How did I do it?

I used a strategy I call *The PPC Multiplier Method*.

It's a strategy that works particularly well for SaaS companies - for reasons I'll soon reveal.

So I've created a version for SaaS - called, unsurprisingly, *The Saas Multiplier Method*.

And, in this short report, I'm going to outline this strategy so you can use it to grow your own profits.

Best wishes.

Steve Gibson

PS For the sake of this book, I'm going to assume you're using a free trial model.

If, instead, you're using freemium, there'd be a few differences - especially at the on-boarding stage - but the model works just as well.

Chapter 1: The 8 ways to grow a SaaS PPC funnel

A typical SaaS customer journey looks like this:

#1: Someone does a Google search and they see your ad.

#2: They click on your ad.

#3: They arrive on your landing page, like what they see and click through to your signup form.

#4: They complete the form and are now a trialist.

#5: They go through the on-boarding process and decide to become a paying customer.

#6: They choose a package that's $X/month.

#7: They stay for Y months.

#8: They spend $Z on additional products and services.

That's a pretty typical SaaS PPC funnel, right?

So that takes us to the first principle of the SaaS Multiplier method…

Every single one of those 8 steps the prospect went through **is a process that can be measured, tested and improved**.

And that takes us to the first principle of the SaaS Multiplier Method...

SaaS MM Principle 1 - You have 8 ways to grow your SaaS PPC revenue.

Which leads us to the second principle…

SaaS MM Principle 2 - These improvements multiply each other like compound interest

Let's look at that second principle in action by plugging in some semi-typical SaaS numbers:

(These are based on a composite of SaaS clients I've worked with)

Stage	Metric	
1	Impression share	50%
2	Click rate	5%
3	Click to form %	15%
4	Form completion %	20%
5	Conversion from trial to paid %	15%
6	Monthly subscription $	$40.00
7	Lifespan (months)	20
8	Other products and services	$200.00

Now,using these numbers, let's see how visitors/money flow through the system:

Stage			
1	Possible impressions		200,000
2	Actual impressions	50% impression share	100,000
2	Visitors	5% click rate	5,000
3	Form visitors	15% click to form	750
4	Trialists	20% form completion	150
5	Paid users	15% conversion from trial to paid	22.5
6	Monthly subscriptions	$40/month	$900.00
7	Lifetime subscriptions	20 months	$18,000.00
8	Other revenue	$200/customer	$4,500.00
	Total Revenue		$22,500.00

So from 5,000 clicks, you're earning $22,500. That means you're earning $4.50/click. Which might be a good thing… might be a bad thing. It depends on your cost per click.

It also tells us that...

- **For every 222 people who come to your website, only 1** is willing to pay for your software.
- **For every 8,889 searches on your keywords, you get <u>just one</u> paying customer**.

Think about that: 8,889 people search for what you're selling... and 8,888 of them decide to take their business elsewhere.

Ouch!

If that doesn't piss you off, then you and I are two very different people.

And, if it *does* piss you off, the good news is that, in chapter 2, I'm going to show you how to change that number.

Chapter 2: How to multiply your profits even if you suck at marketing

In chapter 1, we covered the 8 ways to grow a SaaS business. We also saw how much opportunity a typical SaaS company is letting slip through its hands.

So let's look at how to fix that…

But, rather than show you what's possible with good marketing, let me show you what's possible with bad marketing - if you have the right strategy.

You see, even if you suck, you can still act like a dog with a bone and keep testing random stuff.

So let's imagine that, for 6 months, you doggedly try to improve each of the 8 steps.

And by working hard - without working smart - you improve each one by 20%. That's usually very easy to do.

So let's see what that does to the numbers in chapter 1…

Stage	Metrics	Old metric	New metric - 20% better
1	Impression share	50%	60%
2	Click rate	5%	6%
3	Click to form %	15%	18%
4	Form completion %	20%	24%
5	Conversion from trial to paid %	15%	18%
6	Monthly subscription $	$40.00	$48.00
7	Lifespan (months)	20	24
8	Other products and services	$200.00	$240.00

And, thanks to these small improvements, the flow of prospects and money through your funnel becomes…

Stage			
1	Possible impressions		200,000
2	Actual impressions	60%	120,000
2	Visitors	6%	7,200
3	Form visitors	18%	1,296
4	Trialists	24%	311.04
5	Paid users	18%	55.99
6	Monthly sub	$48	$2,687.52
7	Lifetime subs	24 months	$64,500.48
8	Other revenue	$240/head	$13,437.60
	Total Revenue		$77,938.08

So revenue has increased from $22,500 to $77,938 - an **increase of 246%**.

It now only takes **129 visitors** to get a paid customer. (Down from 222)

And it only takes **3,571 Google searches** to get you a customer. (Down from 8,889.)

All because you had the right strategy and executed relentlessly. Which takes us to SaaS MM principle #3...

SaaS MM Principle 3 - Relentlessly working the 8 metrics - even without much skill - will get you a long way in just 6 months

But if you notice, while revenue increased 246%, the number of clicks only increased 44%.

Which takes us to SaaS MM principle #4

SaaS MM Principle 4 - Improving all 8 metrics will increase revenue far faster than it increases your click cost.

And that's really key, as we see in the next chapter, when we look at profit…

Chapter 3: What does this mean for profit, payback period, and burn rate?

Going back to our numbers in Chapter 1, we had revenue of $22,500.

So now let's talk about cost…

Let's say our company has a 2:1 return on ad spend, that means we spent $11,250 on clicks.

And that $11,250 generated 22.5 paid users. This means our customer acquisition cost was $500.

So what did we get for our $500? We got a customer who will, on average, spend $40/month for 20 months - and, at some point, spend $200 on some additional product or service. A total of $1,000.

So, let's divide that $1,000 by 20 months and say our average customer is worth $50/month for 20 months.

How long does it take to recover our acquisition cost?

If we assume churn is a constant 5%. So, every month, 5% of the remaining customers will leave.

That means, if we bring in 10 customers - costing us $5,000 - our revenue from those customers will be:

Month	This month's revenue	Total revenue
1	$500.00	$500.00
2	$475.00	$975.00
3	$451.25	$1,426.25
4	$428.69	$1,854.94
5	$407.25	$2,262.19

6	$386.89	$2,649.08
7	$367.55	$3,016.63
8	$349.17	$3,365.80
9	$331.71	$3,697.51
10	$315.12	$4,012.63
11	$299.37	$4,312.00
12	$284.40	$4,596.40
13	$270.18	$4,866.58
14	$256.67	**$5,123.25**

As you can see, our payback period is 14 months.

So, for the first 13 months, we'll be cash flow negative. It's only in month 14 that we've recovered our advertising costs.

What happens after 20% improvements?

Now, let's look at the same metrics after our 20% improvements.

We got 44% more clicks - so that means our cost has increased to $16,200.

Our revenue was $77,938, so our profit was $61,738.

That means we've gone from…

	Spend	Revenue	Profit
Before	$11,250	$22,500	$11,250
After	$16,200	$77,938	$61,738

We've increased profit by $50,488 - a 349% increase.

And we brought in 55.99 paid customers, so our cost/customer was $289.34. So our **customer acquisition cost has reduced by 42%**.

And, for our $289, we get $48 for 24 months plus additional sales of $240. This is a total of $1,392.

Now, if we divide by 24 months, that's an average of $58/month.

So now how long does it take to recover our acquisition cost?

Well, getting 10 customers now costs only $2,893.50. And, with an average lifespan of 24 months, our churn is only 4.2% per month.

So our revenue looks like this:

Month	This month's revenue	Total revenue
1	$580.00	$580.00
2	$555.64	$1,135.64
3	$532.30	$1,667.94
4	$509.95	$2,177.89
5	$488.53	$2,666.42
6	$468.01	**$3,134.43**
7	$448.35	$3,582.78
8	$429.52	$4,012.31
9	$411.48	$4,423.79
10	$394.20	$4,817.99
11	$377.64	$5,195.63
12	$361.78	$5,557.42
13	$346.59	$5,904.01
14	$332.03	$6,236.04

So we've gone from a payback period of 14 months to just 6 months.

And, by month 14, you've already exceeded 2:1 ROAS.

All by making a handful of small improvements.

Now think about what that does to your burn rate and runway.

That's good news for you, good news for your CFO, and good news for your investors.

And it's great news if you're looking for more investment. Partly because you'll need less money, and partly because your investors will see a fast-growing company that's low risk.

So now are you seeing how I increased KashFlow's PPC profits by 643% in just 7 months? It wasn't brilliance, it was just knowing which levers to pull.

(And many years' experience pulling those levers.)

So this is the SaaS multiplier method in a nutshell. But there are a couple of other elements to cover...

Chapter 4: How to get 12-15 times as many clicks

So far, we've talked about 20% improvements to the 8 metrics.

Why? Because I wanted to show you what's possible with no talent and just a little bit of effort - as long as you have the right strategy.

Now I'm going to talk about a 1,200% - 1,500% improvement.

This might sound unbelievable, but let me explain...

The #1 predictor of click rate

In the search results page (SERPS), Google runs text ads in 2 positions: top of the page and bottom of the page.

These two areas of the page get very different click rates. In fact, ads at the top will typically get 8-15 times the click rate of ads at the bottom.

That's because few people scroll down the page. Which takes us to...

SaaS MM Principle 5 - Ad position is the #1 predictor of click rate.

Let me spell this out: There's nothing you can do that'll increase click rate more than moving your ad a few slots up the page.

Are your ads invisible?

So we just saw that click rate is 8-15 times higher at the top of the page than the bottom.

This means, if your ads are showing at the bottom of the page, you're automatically missing out on 88% - 94% of the market.

Or, alternatively, if your ads always show at the bottom of the page, and you move them to the top, **you can multiply your traffic by 8-15 times**.

And this takes us to...

SaaS MM Principle 6 - Your goal is to have your ads show at the top of the page

That's because anything else makes you a bit part player in your market.

So how do you get to the top of the page?

Google orders ads according to this formula:

bid price x quality score

In the next chapter, I'll give you a quick primer in quality score. But here's the thing about quality score: Once you've had an expert optimise quality score, it's hard to optimise it further.

You can move the needle a little by split-testing ads and increasing your clickrate - which is part of the Saas Multiplier Method - but you'll soon find you get diminishing returns.

So, if you can only do so much with quality score, how do you get top ad positions?

By out-bidding your competitors.

It's as simple as that. Which is why SaaS MM principle seven is the most important principle...

SaaS MM Principle 7 - The way you win the game of PPC is to EARN more per visitor than your competitors… then using that money to OUTBID THEM and dominate your market.

And this is why the SaaS MM is so focused on landing pages, forms, on-boarding, client retention, up-selling, cross-selling…

All these things increase your visitor value - which means they increase your bids. And, when you increase your bids, you can multiply your clicks.

Chapter 5: A quick primer in quality score

In my book, *The PPC Multiplier Method*, I spend 6 chapters explaining quality score.

In this book, I'm going to give you the tl;dr version.

Here goes...

#1: Google ranks ads according to the formula bid price x quality score

Imagine there are just 3 advertisers:

Advertiser	Bid	Quality Score	Bid price x QS
A	$1.00	7	7
B	$1.50	4	6
C	$0.90	8	7.2

In this example, advertiser C would show at the top, followed by advertiser A, followed by advertiser B.

So, even though advertiser C is bidding the least, he gets the best position. And, the highest bidder – advertiser B – is placed last.

(Note: if you use one of Google's automated bidding options, Google will assign you a bid level bid based on its algorithm. So, if you have a CPA bid of $100 and Google thinks the searcher has a 2% chance of converting, Google will bid $2 on your behalf.)

#2: How much you actually pay is:

Your actual cost per click will be less than your bid. It'll be:

> Cost per click = (The bid of the advertiser below you x his quality score / your quality score) + $0.01

OK, that's a mouthful, so let's see an example...

Going back to our previous example, the advertisers were ranked like this:

Advertiser	Bid	Quality Score	Bid X QS
C	$0.90	8	7.2
A	$1.00	7	7
B	$1.50	4	6

So the top advertiser, C, would pay:

($1.00 x 7 / 8) + $0.01 = $0.885

The middle advertiser, A, would pay:

($1.50 x 4 / 7) + $0.01 = $0.865

#3: Quality Score is based on a combination of click rate, ad relevance and landing page quality.

When someone types a search query into Google, Google wants to return relevant results. That's not just the organics, but also includes the ads.

#4: Landing page quality is a mix of relevance to the search query, loading times and "clear business practices."

#5: Ad relevance is more complicated than just "put your keywords in the ad" - though you should put your keywords in the ad. But having the "wrong" words in your ad can kill your relevance.

#6: Google's not very good at figuring out what's relevant.

You can have ad text that's super-relevant, but get low ad relevance. Same with landing pages.

If this happens, don't go crying to Google. They don't care., Instead, figure out why it's happening and change it.

#7: Google heavily rewards relevance and heavily punishes lack of relevance

Imagine your competitor is $1 and had a quality score of 7/10. How much would you have to bid to match their ad rank?

Your Quality Score	Bid Required
1	$7.00
2	$3.50
3	$2.33
4	$1.75
5	$1.40
6	$1.17
7	$1.00
8	$0.88
9	$0.78
10	$0.70

As you can imagine, it's pretty hard to compete when you're paying 7 times or 3.5 times as much for a visitor.

You could think of that 3.5 as a "250% irrelevance tax."

You don't want to be paying that tax.

#8: As well as impacting your ad position and cost per click, Quality Score also controls your impression share - the percentage of time your ads are shown.

This works in two ways:

(A) If you have too many competitors with superior ad ranks, they push you off page 1.
(B) If your quality score isn't good enough to meet Google's minimum standards for that search term, you won't get shown.

The latter is why you sometimes do searches and there are only a few ads on the page.

#9 Imagine you had QS = 6 for all your keywords and you were spending $100,000 a month to generate signups worth $200,000.

Well, if you improved your quality scores to 7, you could buy the same traffic for 6/7 of that amount: $85,700.

That means your monthly profit would increase from $100,000 to $114,300 - a 14.3% improvement.

#10 The quality score you see in your account is not your quality score. In reality, quality score is calculated in real time as an intersection of the search query, your ad, landing page, user location, user search history, time of day…

At best, what you see in the account is an approximation of an average quality score for someone doing an exact match search on that keyword.

OK, so far we've learned that, if you want to multiply your PPC profits, you need to work on multiple levers.

We've learned that you can increase your clicks by 8-15x if you move your ad from the bottom of the page to the top.

And we've learned how quality score works.

Now, I want to give you a different way to look at the SaaS Multiplier Method...

Chapter 6: The bottle fills up from the bottom

I sat in front of my client with a 1 litre bottle of water and an empty bowl.

I pointed to the full bottle…

> “This is what your PPC market *could* be. This is how much you could *reasonably* expect to make each year.
>
> But let’s see how you’re really performing.
>
> OK, the first step in the funnel is your impression share. Your impression share is 48%. I think that - conservatively - we could get it up to 70%. That’s a 50% increase.
>
> So, right now, you’re losing out on ⅓ of your impressions.”

I poured one third of the water into the bowl. I pointed to the bottle again.

> “Your click rate is 5.5%. I believe that, with a mix of account restructuring and aggressive ad testing, we could increase that by a third to 7.33%.
>
> So you’re missing out on ¼ of your clicks.”

I poured out a quarter of the remaining water. At this point, only half the water was still in the bottle.

I repeated the same process for landing pages, the sign up form, the on-boarding. At each stage more water was poured out.

Finally, I said:

> “This is what’s left: one seventh of the water.
>
> And we’ve not even talked about client retention, or cross selling.
>
> But in these 5 steps alone - from ad impressions to on-boarding, your leaks are costing you 86% of your potential revenue.
>
> And that’s based on conservative estimates.

> The good news is that, if you fix those leaks, you'll go from making $2m a year from PPC to making $14m… and, because we're improving web pages, the form and the on-boarding, that'll increase your conversion rate for all your traffic sources. So you should make around $9m extra profit from your non-PPC traffic."

OK, as demonstrations go, that was pretty cheesy.

But it's a good way to visualise just how much money is leaking out of a typical funnel.

And, it gives us an analogy: The bottle fills up from the bottom.

i.e. Optimising the bottom of the funnel - your on-boarding - increases the value of a trialist.

Optimising your landing page and form increases the value of a visitor..

And increasing your visitor value - and that allows you to pay more for those visitors.

Bidding more will improve your ad rank. And a higher ad rank means a higher click rate and higher impression share.

We're filling the bottle up from the bottom.

Most PPC people try to increase conversions by pushing more traffic into the top of the funnel. That's hard work.

I do it the opposite way: I use increased visitor value to widen the funnel.

It's so much easier.

So you've seen the SaaS Multiplier Method from two perspectives - what you'll gain and what you're losing.

But, I have a confession to make...

Chapter 7: A PPC disclaimer

In this book, I'm giving you a simplified version of a complicated process.

I'm doing this so the book isn't full of caveats and impossible to follow.

So let me address one of those complications in this chapter...

Earlier, I simplified the "ppc part" of the system to "maximise clicks by optimising impressions x impression share x click rate."

But that's now how you implement this in real life.

In real life - assuming the account structure is already well optimised - one of the first things you do is identify wasted spend.

"Wasted spend" is any spend that isn't hitting your ROAS target - and isn't likely to hit that target any time soon.

That's usually low value search terms that either don't produce trialists, or produce trialists that don't convert to paid, or produce paid users with low lifetime value.

Or, it's expensive traffic which brings in good customers, but the customer acquisition cost is too high.

In both cases - particularly the latter case - we may return to those keywords later, once we've made the funnel more profitable.

But, right now, it makes sense to cut this spend.

And what happens?

Well, our impressions will go down. Our impression share may also go down. And so might our click rate.

And that takes us to the point of this chapter...

We're not slaves to maximising impressions x impression share x click rate.

We're not trying to optimise these numbers for the sake of optimising them.

Well reduce spend where it makes sense to reduce spend - whether it's eliminating keywords, adding negative keywords, or reducing bids.

And, usually, I find we can shave 10-20% off spend without harming profit.

I just don't mention this elsewhere in the book because, compared to the growth side of the SaaS Multiplier Method, this 10-20% is relatively unimportant.

Chapter 8: What about the product?

I'm the "maximise your PPC success" guy, so I haven't said anything about product.

But, in this chapter, I'll make a few comments - from a marketer's perspective…

In the newsletter business, there's a saying, "Marketers sell subscriptions, editors sell renewals."

Well, in the SaaS business, we could say, "***Marketers sell sign-ups, product designers sell renewals***."

Or, to put it another way:

#1: The easiest thing to sell is something that's worth buying.

#2: In direct marketing there's a saying: **nothing will make a company go broke faster than great marketing for a lousy product**.

"Your PPC manager is the jockey, your product is the horse"

A few years ago, Gary Bencivenga - possibly the greatest direct-response copywriter alive - wrote a newsletter about the importance of the product.

You can - and should - read the whole thing here:

https://marketingbullets.com/bullet-19/

In it, Gary quoted Bill Bernach - one of the titans of Madison Avenue:

> "Advertising doesn't create a product advantage. It can only convey it…No matter how skillful you are, you can't invent a product advantage that doesn't exist."

Gary also wrote:

> If you're settling for a "me-too" product and hoping that a gifted copywriter will carry you on his or her back to the winner's circle, you're kidding yourself. *Your product is the horse; your copywriter is*

> *only the jockey.* Yes, good jockeys are worth their weight in gold. But champion race horses are worth much more. It's your job to breed champion race horses.
>
> Remember that most businesses make real money only on *repeat sales.* While a good copywriter can make a prospect *hopeful* enough to try a product, he or she can't make that customer *delighted* enough to buy it again. Only you and your product can do that.

And:

> [It's] your mission to come up with a product so inherently superior that, as soon as it's effectively explained, demonstrated, or sampled, your prospects have no conclusion to draw except *"I want it!"*
>
> Create *"Wow!"* products like this, add in great customer service, and something magical happens. Your customers become your auxiliary sales force—a large, unpaid, ever-growing army of raving fans who extol your product to others, causing your market and profits to grow far more effectively than any copywriter can.

The point is clear: a 3rd rate (or even 2nd rate) product will hurt the economics of your business. You'll end up with lower conversion from trial to paid, and shorter customer lifetimes.

Those things are the opposite of the SaaS Multiplier Method.

Now, having said this, because the SMM is about multiplying the results you're <u>already</u> getting, you don't need to improve your product to make it work.

Just that, if you *do* improve your product - in a way your customers value - everything in business becomes easier... especially your marketing.

Chapter 9: How to implement the SaaS Multiplier Method

The truth is, you can implement the SaaS Multiplier Method any way you want. That's because the improvements multiply.

And, as we know from primary school, A x B= B x A.

So working on your on-boarding, then on your PPC click rate will get you to the same place as working on your click rate, then your on-boarding.

But, having said this, I'm going to suggest a particular approach...

Step #1: Create a full funnel analysis

I'm a believer that you can't optimise what you don't measure. So, to start with, I suggest you create an analysis of your whole PPC funnel.

If you map the flow of prospects and money through your funnel, you'll get a clear picture of

* How the funnel is performing
* How it *could* be performing
* *Where* the major leaks are
* *Why* the leaks are happening

For this, you'll need your PPC account, your analytics, and whatever tools you use to track your trialists and customers.

Then you piece together the information from each source so you have a clear picture of what's going on.

To give you an idea of the depth of detail you should go into, when I do reports like these for clients, the report will typically be 12-15 pages long.

So it's a lot of work, but it's worth it because this document will be your roadmap.

Step #2: Put one person in charge

In my 14 years of PPC, I've found best results happen when the whole funnel is aligned.

That means…

* Your ad speaks to the intent of the search query

* Your landing page continues the message in your ad

* Your signup form repeats the promise on the landing page

* And you on-boarding is focused on delivering that promise

i.e. each step continues the message from the step before.

But, too often - especially in larger SaaS companies - different teams work on each stage.

So your PPC manager drives traffic to a page written by someone else. The user clicks through to a general signup form, which puts them into a general on-boarding sequence.

That leads to disconnects in the message. Disconnects and broken promises.

And those disconnects create leaks in your funnel.

So I believe the best approach is to have one person who is overseeing the whole PPC funnel.

That way…

#1: They can ensure the consistency of the message.

#2: Whatever lessons you learn from split-testing one stage can be applied to the other stages.

So who should be in charge?

It could be your CMO or your head of growth. Though these people tend to have too many other responsibilities.

What you're looking for is someone with expertise in the following 4 fields:

#1: Marketing strategy

#2: Data analysis

#3: PPC

#4: Copywriting and conversion optimisation

That way, they're able to continually evaluate each step of the funnel.

Quarantining the SaaS Multiplier Method

Now, you might be wondering, with all this SaaS Multiplier Method stuff going on, what about the rest of your marketing? Will it be impacted?

Well, yes and no. Let me explain...

I'm a believer in "quarantining" your PPC traffic - i.e. using different landing pages, a different sign up form, different on-boarding.

So, if you have some PPC traffic going to your homepage, make a copy of your homepage and use that just for PPC.

Same with your sign up form, etc.

So when the PPC team is split-testing different versions of these, they'll be doing it just for PPC traffic.

Now, of course, when they get split-test winners, they should share the results with other teams - who can then run the same tests for non-PPC traffic.

(And, of course, those other teams will share their split-testing success with the PPC team.)

That way, the company can get the maximum advantage from the SaaS Multiplier Method testing - but without risk to other traffic sources.

The best of both worlds.

Summary

In this report you discovered…

- The 8 ways to grow a SaaS PPC funnel.
- How small improvements multiply like compound interest.
- How relentlessly working on all 8 metrics - even without much skill - will produce huge increases in revenue in just 6 months.
- How this approach will increase revenue far faster than it increases your click cost.
- What that'll mean to your payback period, your burn and your runway.
- How ad position is the #1 predictor of click rate and how moving your ad from the bottom of the page to the top will get you 8-15 times as many clicks.

And, finally, that **the way to win at PPC is to earn more per visitor than your competitors… and use that advantage to outbid them**.

What I haven't talked about are specific tactics. If you want those, check out my book *The PPC Multiplier Method*.

(Go to www.ppcmultipliermethod.com)

Or, if you just want results, talk to me. I've been optimising PPC accounts & funnels since 2006. That's 14 years of learning what does and doesn't work.

With that experience, I should be able to get you better results - and get them faster - than if you implement this strategy yourself.

You can find out about my services here:

https://www.saasmultipliermethod.com/services/

Best wishes,

Steve Gibson

PS If you found this book useful, please share it.

PPS Finally, you can find plenty of SaaS marketing advice on my blog at www.saasmultipliermethod.com.

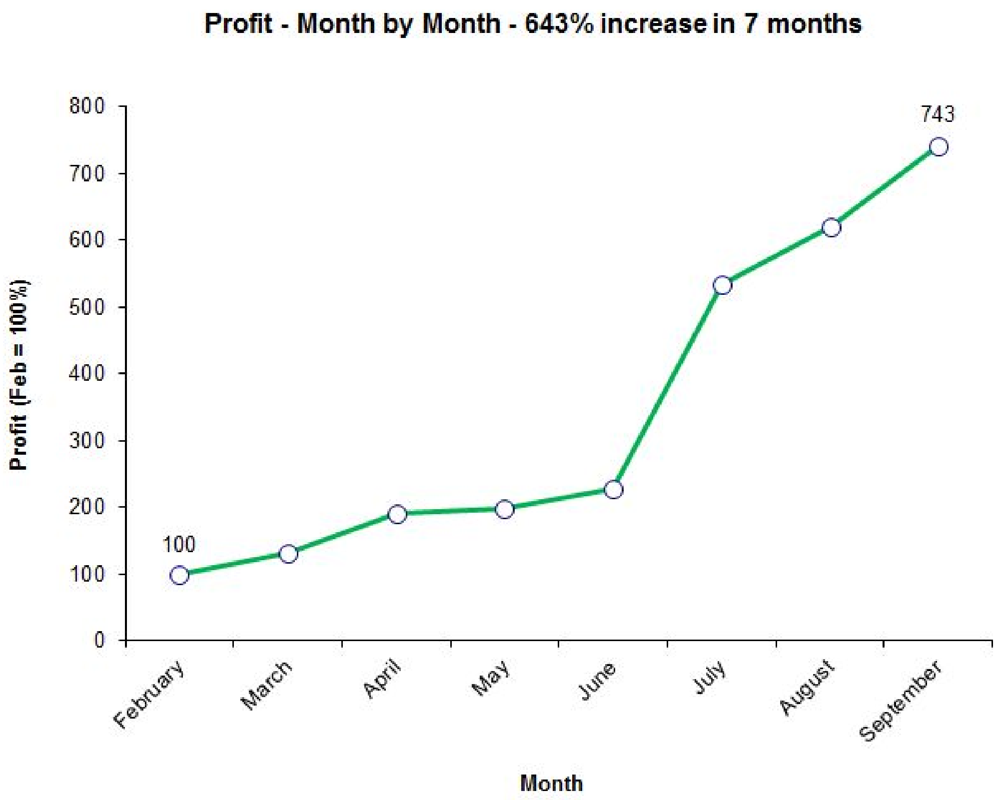
Appendix: The SaaS Multiplier Method In Action – 643% Increase In Profits

KashFlow is a SaaS accounting software company. Before they hired me, they'd been advertising on Google for 8 years and had used a couple of "big name" PPC agencies.

Below, I describe how I approached optimising their account. As you'll see, I only used a few of the SaaS Multiplier Method levers: impression share, click rate and landing page optimisation.

But, despite that, I increased their profits by 643% in just 7 months.

Note: I've left out sensitive data. So the chart below is rebased so the starting profit is 100. The increases in profit are expressed as percentages relative to that.



So, as you see, I started in February and, by September, their profit was 7.43 times higher (an increase of 643%).

Finally, because they were a well-known company, they'd get a lot of searches for their brand name.

I've excluded that data from the case study as, although the profit from brand searches increased by over 30% – due to increased ctr and conversion rate – there are far fewer opportunities for PPC optimisation when it comes to brand searches.

Month 1

I started by asking KashFlow what a conversion was worth. Using that data, I could see the cost per conversion was 79% of the value of a conversion. Or, to put it another way, for every $1they'd spend, they'd get back $1.26 – a profit of 26%.

26% is not particularly bad in a competitive market but, as you'll see, after 7 months, I'd increased it to 89%.

When I took over, the campaign was poorly structured. That's despite the fact it was being managed by a big agency.

There were a number of campaigns, some of which had hundreds of active ad groups – in fact, one had 477 ad groups.

All in all, there were over 800 ad groups - for a single SaaS product being sold in just one country (the UK).

So, unsurprisingly, these ad groups overlapped to the point where there was no way to know which ad group would be triggered by a particular search.

On top of this, the previous agency had used bid management software. As a result, the bids varied hugely within ad groups. And, looking at historic data, the differences in bids didn't reflect the conversion rates - or conversion value - of different keywords.

So my first step was to simplify the account. That way, it would be clear which ad group would show for any particular search.

Each resultant ad group – and there were around 90 of them – was tightly themed around one keyword idea. I also split ad groups into (a) phrase + exact match, and (b) broad match.

Using historic search query reports, I estimated the cost per conversion for each ad group – and set the bids accordingly. All bids were set at ad group level, rather than keyword level – i.e. every keyword within an ad group had the same bid.

Doing that meant I could get a clear picture of the ROAS for different keyword themes – and how that varied across different match types.

Finally, I also deleted some obviously losing ads.

The result: the spend decreased 11%, conversions dropped 1.5%, cost per conversion dropped 9%, profit per $1 increased to 39c. Profit in month 1 was 33% higher than when I started.

Because these changes took some time to implement, we didn't get the full value of these in month 1. So it's fair to assume the real level of improvement was far greater than 33%.

Month 2

This was mainly a continuation of the work done in month 1. As data came in, I continued to adjust bids, delete losing ads, write new ads, and break up ad groups where appropriate.

Month 2 results: the spend increased 42% month-on-month, but that resulted in 42% more conversions. RAOS increased slightly to 1.4:1. Profit in month 2 was 91% higher than when I started.

Month 3

This month saw a continuation of the work done in the first two months. But I also started looking at the landing pages being used. I felt I could improve on them, so I wrote a new page that went live at the end of this month.

I tested this page in the 15 highest-volume ad groups. It averaged around 20% higher conversion rate but, as you'll see, that didn't start paying off until June (month 4).

Month 3 results: Due to (mainly) ad split-testing, profit increased to 99% higher than when I started.

Month 4

The 'normal PPC work' continued. But we started to see higher conversion rates thanks to the new landing page.

(Remember it was only running in 15 ad groups and half the time – the other half, ads with the old landing pages were being shown.)

Month 4 results: The success of the previous month's work meant I could increase bids. As a result, the spend went up 21% month-on-month, conversions were up 19%, profit was up 128% compared to when I started.

By this point we were getting 66% more conversions per month than before I started. Our cost per conversion was down 10%. So, although spend was up 50%, profits were up by 128%.

This is what happens when your campaigns become more effective: you can bid for higher ad positions, and still make more profit per conversion.

Month 5

As you'll see from the chart at the beginning of this appendix, this is when the landing page really started paying off.

I initially tested it in 15 ad groups. By now, it had proven itself superior in almost all these ad groups. This meant all the traffic in those groups was now going to this higher converting page - and I'd rolled out the test to more ad groups.

Month 5 results: As a result of this, the cost per conversion was 30% lower than when I started. Or, to put it another way, instead of paying $1 to get back $1.26, we were paying $1 to make $1.80.

That's a 208% increase in profit/spend.

And, because we were now so much more profitable, we were bidding for ever-higher ad positions. Our spend was 76% higher than when I started.

In return for this extra spend, we had 150% more conversions and a 434% higher profit!

Months 6 and 7

There were no new landing pages during this time, but I did continue to roll out the landing page from month 3.

I was also continuing to split-test ads, tweak bids, add the occasional new keyword idea (hard to find when you start with an account that's 8 years old), adding negative keywords.

However, as you'll see from the chart, profit continued to increase: +521% in August, +643% in September.

By the end of September, things looked like this:

February v September	
	Difference %
Clicks	+112%
Impressions	+59%
Ctr	+33%
Cost/click	+4%
Cost	+121%
Conversions	+232%
Conv rate	+57%
Cost / conv	-33%
Profit/conv %	+126%
Total Conv Value	+232%
Profit	+643%
Profit per $ spent	+239%

As you can see, spend increased by 121%, but that resulted in 232% more conversions.

All of this was made possible by lowering the cost per conversion. By cutting that by 1/3, we ended making 126% more per conversion. That allowed us to bid more and get higher ad positions.

And that's the cornerstone of the SaaS Multiplier Method: using conversion rate optimisation to improve ad positions.

That gives you more impressions, higher clickrate, more conversions etc… to a far greater extent than if you just worked on the PPC account.

Of course, I coupled that with account optimisation. So the improvements multiplied like compound interest and gave the 643% increase in profit we wouldn't have achieved if we'd only done PPC work, or only done conversion rate optimisation.

About the author

Steve Gibson is a marketing consultant, ppc manager and copywriter.

He's been helping businesses grow online since 2006.

He's from the UK, but divides his time between Scotland, France, Italy and Germany.

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