EMBERTRIBE

UNSTOPPABLE GROWTH

10 LESSONS From the Team Behind the World's Fastest Growing Brands

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01

GARBAGE OR GOLD?

It's not hard to find advice for growing your business online. The challenge of today is sorting through the sheer volume of content and discerning between ***the garbage and the gold.***

After spending over $80M in ads on Google, Facebook, Pinterest, Snapchat, and other platforms, along with thousands of hours testing, we've learned a lot.

Like how we scaled revenue nearly 300% in four months for a local Texas brand or how we took the reins for a client and drove them from an idea to $1M in revenue in under six months.

I started EmberTribe with my business partner, T.J. Jones back in 2015. We had both worked for, launched and sold startups over the previous decade.

> **FUN FACT:** We initially got turned down by a couple banks who thought my partner, "Thomas Lee Jones" was a fake name, thanks to the actor, "Tommy Lee Jones"

When we decided to launch an agency together we wanted to build a team that was razor focused on results. We wanted to make a meaningful and measurable contribution to our clients.

We had both hired or worked for big name agencies in the past who were "great" at things like:

- Running up the clock on billable hours
- Calling meetings to schedule other meetings
- Spouting off "best practices" without any experience implementing them

Neither one of us wanted to spend our time over the coming years repeating this broken, wasteful model, which always had everyone guessing whether or not our work was actually helping clients.

We also believed that we had entered a time of unprecedented opportunity for entrepreneurs who wanted to grow their eCommerce businesses.

Our thesis was simple:

> ***What if we could train our team to think like founders and scrappy entrepreneurs?***

What would happen to our clients' businesses if we combined a relentless testing methodology with world-class creative marketing?

After serving hundreds of clients, managing 8-figures of paid traffic from Facebook, Google, Pinterest, Snapchat, and Native ads, and helping produce north of 9 figures in revenue, we're proud to share that ***it's working.***

Over the years, we've had the opportunity to work with some of the fastest growing brands in the world.

We've been hired by startup accelerator programs to mentor entrepreneurs from Techstars, Y Combinator and 500 Startups. We also teach in entrepreneurship graduate programs at Harvard and MIT.

But there was a second motivation for building EmberTribe the way we did. While we had *a lot* of advisors warn against it at the time, we wanted to create a fully distributed team on the premise that it would allow us to hire:

- **The best people**
- **Who did their best work**
- **While living their best lives**

Part two of the lifestyle experiment has been working extremely well. Working remotely has allowed us to recruit the top marketing minds across three countries in North America and nine different states.

What defines a team member from the Tribe?

Driven. Accountable. Empathetic.

There's no A team or B team. Just strong players across the board, because frankly, we can be choosy, and we aren't limited to one metropolitan area's talent pool.

We actually joke that our hiring funnel is the lowest converting funnel we run!

We don't accept many applications and find that our best new teammates are referred to us by the other strong players on our team.

This isn't intended to be a chest-puffing flex. It's important for you to know that the content we're sharing in this book is based on first-hand experience, not theory or ***"best practices"***.

It's rooted in the trench warfare and daily grind of growing eCommerce brands.

I'm going to share stories of clients who we've helped 10x their growth, generating millions in sales (and entering an entirely new tax bracket). But I'm also going to share some of the hard lessons that we've learned in scaling up, so that you can avoid the same mistakes.

It's been said, a wise person learns from his mistakes. An even wiser person learns from the mistakes of others.

Are you with me? Let's dive in.

02

YOU CAN'T LIVE ON "HACKS" ALONE

Growth hacks make for great headlines.

AirBnB is famous for hacking Craigslist to drive millions of visits to its listings.

Would it work for you today?

Probably not. The integration was suspicious even back in 2009. It would likely get shut down or violate Craigslist updated terms of service today.

You see, the value of a growth hack rarely has anything to do with a specific tactic. It's almost always about the principle behind the hack. In the case of AirBnb, the core principle was to infiltrate an active marketplace where they could siphon off free targeted traffic.

The strategy behind the tactic still holds value for today even if the tactic itself is dead. It stands the test of time.

How can you ***"hack"*** free or cheap traffic from relevant marketplaces or communities in your niche? Facebook groups, Amazon, Etsy and others could represent the stand-in for Craigslist.

My goal with this book is to give you the evergreen strategies that are working now and have staying power as we grow eCommerce brands to massive levels of scale.

If you're hungry for tactics, we can help there too. Our eCommerce course, ***"Revenue Engine"*** has over 70 video modules of highly tactical training, where you can literally copy/paste the campaigns that are working for us.

REVENUE ENGINE BY EMBERTRIBE

But a book isn't a great medium for sharing that type of content, and frankly, the tactics will change while the strategies that power them will remain for years to come.

No entrepreneur can live on hacks alone.

So let's get to building a scaffolding of strategy and a framework that will help you grow steadily over the long-term.

03

GETTING YOUR MODEL RIGHT

In the past several years, our business development team has spoken with over 4,000 prospective eCommerce entrepreneurs.

One of the common questions we are asked is about ***dropshipping.***

The question is asked differently each time, but it goes something like this, "I'm dropshipping, do you think this will work for me?"

The answer, as you might guess, ***is it depends.***

It's kind of like asking a painter, "Should I use this big roller for my painting project?"

The answer is "yes" if you want to paint a lot of open wall space quickly. But not so much, if you need to paint the balusters along a handrail, or the risers of a staircase. For this, you need a smaller brush for more precise painting.

Dropshipping is a model.

If you haven't heard of it before, it's a process where a store doesn't hold any physical stock. Instead, they process orders from customers directly and then have a third party ship the product to the customer.

The difference between what the customer pays the store and what the store pays the third party represents the margin of opportunity.

Dropshipping is an attractive model for many entrepreneurs who are just starting out. Since it doesn't require any upfront investment to purchase and hold inventory, it's less risky. All of the investment can be focused on growing sales.

Dropshipping isn't just an approach for lean, low-budget entrepreneurs. In fact, some of the largest companies in the world employ the model. Wal-mart and Amazon both leverage dropshipping with vendors on their platform.

It is possible to build a large, 9-figure business with a dropshipping model.

It almost sounds too good to be true, right?

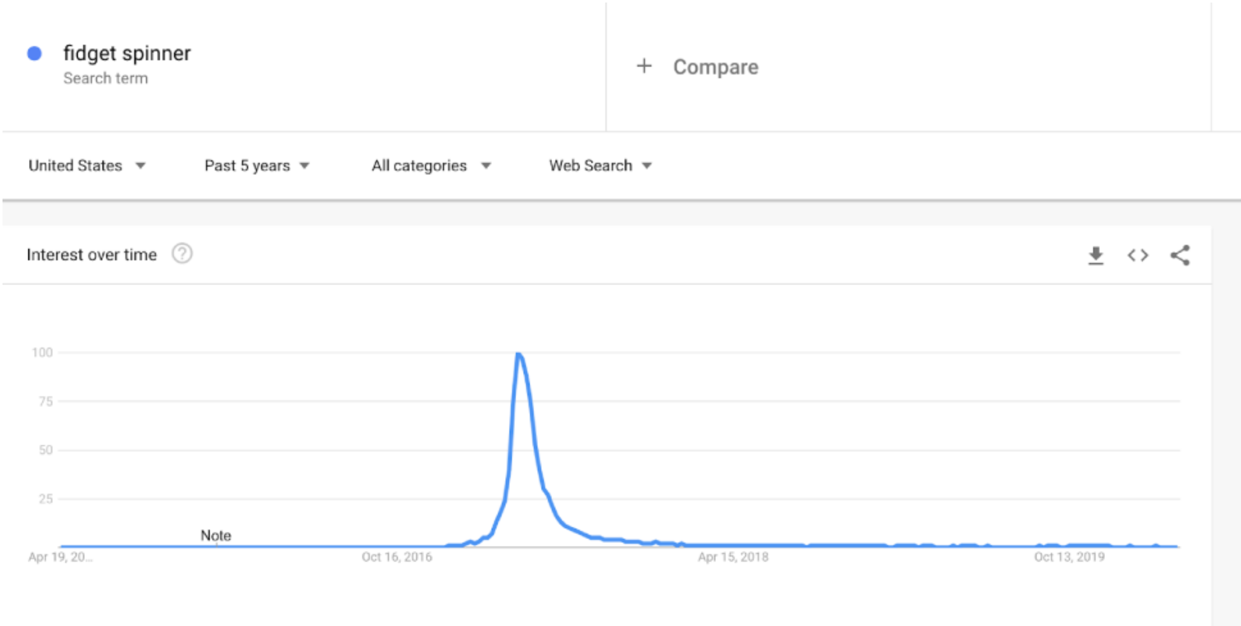
Why take the unnecessary risks of developing a product, establishing supplier relationships, and holding inventory?

Let's examine some of the ***downsides of dropshipping.***

First, and this is most important, when dropshipping hopefuls find products on marketplaces like AliExpress, they typically fall into one of two categories: fad items and commodities.

For fad items, look no further than the famed fidget spinner.

Fidget spinners took off in 2017 as a fad among younger buyers. Many fortunes were made during this time for dropshippers who joined in early.



But within 8 months, the trend had slowed significantly.

As soon as the fad lost steam, so did the opportunity to make money.

In fact, that 8 month window of opportunity was much shorter in reality. After about **60 days of steep growth** in demand, so many competitors jumped into the mix, it became a race to the bottom on price.

If you enjoy the constant hunt for the next trend and don't mind starting from scratch every few months, this might not bother you in the least.

But if you want to build a sustainable, long-term business with high growth potential, fad products are not the optimal way to get there. Unless you have an informational advantage on emerging trends or own some part of the supply chain, it's incredibly difficult to remain competitive.

A second way dropshipping comes up short is with customer service. As a dropshipper, you have little or no control over the customer experience: *how the product is packaged, when it's shipped, or even the integrity of the product itself.*

Long-term businesses depend on their customers to be repeat buyers or at the very least, advocates of their brand. And when you're nothing more than an order-taker, it's difficult to fulfill any kind of brand promise that wins over customers for life.

If someone isn't dropshipping fad products, they're often making the mistake of trying to sell commoditized products. In this case, by commodities, I'm talking about products that can be found in virtually every retailer around the world.

It's a very common mistake we see made all the time; and if you're making it right now, we understand how attractive the proposition appears on paper.

Maybe you want to dropship a generic version of Windex. You think, how many millions of people need to buy Windex every year? I can sell it for less! The market is huge!

All of that reasoning is accurate. But it has a fatal flaw. It doesn't answer a simple question: ***Why would anyone buy generic glass cleaner from you?***

For you to pull this off successfully would require a massive change in consumer behavior. You have to spend a lot of effort and capital to get household shoppers to stop grabbing glass cleaner at their local grocery store and buy from your online shop instead.

I hear you thinking, "yeah, but people buy glass cleaner online already on Amazon."

To which I say, ***"exactly."***

Amazon, with their two-day prime shipping and consistent customer experience makes it easy for household shoppers to order window cleaner. They've all but locked up the market on selling household commodities online.

We'll talk more about selling on Amazon in a later chapter. But the point to take away here is that your success or failure is dependent on your ability to differentiate.

So should you dropship?

If it leads you to a fad product or trying to sell a commodity with little differentiation, my advice is to avoid it like the plague.

Now to drive home the point that we aren't "anti-dropship." I should disclose that we have and currently are dropshipping products ourselves.

We like operating our own eCommerce businesses because it gives us an awesome sandbox to test new growth experiments on ourselves like mad scientists before we roll something out to clients.

Here's what our dropship strategy looks like on a high level.

We work with a U.S. based wholesaler. That's because our primary market lives in the United States and it means we can be competitive with shipping time. You can't expect to have happy customers who wait 12-25 days to receive their product from China.

The niche is home/kitchen goods. So it's an evergreen market that isn't going to spike and disappear tomorrow.

The style and material of these wares is unique, and it matches a very specific aesthetic taste.

The price point is also what we would consider **"higher ticket"**. That is, most of the SKUs are $500-$2,000 each. This gives us plenty of margin and padding for customer acquisition.

To summarize, our dropshipping business uses: local suppliers, a long-term niche, unique product without a lot of competition and plenty of margin.

There's a way to do dropshipping well and take advantage of the smooth logistics and low upfront investment. But only pursue the model when it doesn't undermine your ability to keep customers happy long-term.

An eCommerce business is only as valuable as its customers and the scalability of their model for acquiring new ones.

Would you rather have 100,000 customer emails of people who bought fidget spinners or 10,000 who bought a kitchen sink?

I'll take the latter all day. Because I know these are homeowners with other needs and I can build a sustainable business with a real brand that serves these customers with repeat purchases for years to come.

This isn't a book about dropshipping. It's about building your eCommerce business strategically and making sure that your model isn't dead in the water before you even start. You're going to be spending significant time and resources building the business of your dreams. You owe it to yourself to think strategically and on a long-term timeline.

04

KNOWING YOUR AUDIENCE

The most successful eCommerce brands have a very clear view of their target audience, without exception.

It's not optional. Not just a helpful recommendation.

In fact, understanding your audience lays the groundwork for virtually every sales and marketing effort.

Sure, you might be bidding on keywords. But there's a person behind the keyword.

Your target audience in a Facebook ad set might contain labels, like "Women ages 34-45", but knowing a few key demographics is just scratching the surface. There's a lot more to truly knowing your audience.

What you want to formulate is a deep empathetic connection to your buyer. Virtually all of marketing and selling comes down to one of two goals:

- **Help people achieve an outcome**
- **Help people get rid of pain**

Your understanding of an audience will impact everything from your brand aesthetic, to your pricing strategy, to the visuals used in ads, to the headlines of your next landing page.

Marketing research used to take thousands of hours and millions of research and development dollars to pull off. I remember one of my first summer jobs was working for a marketing research company. It was my task to compile notes from focus groups that were conducted over the past quarter. It was tedious work, going through thousands of lines of transcripts and trying to discern the pattern of feedback from the focus group.

Think about all of the moving pieces. As a brand, you had to pay the agency a massive retainer, gather the group of participants, wait months for the results to come in, then finally build strategy against the learnings.

Best case scenario, it took 3-6 months to start testing new messaging or campaigns.

All of that has changed.

Don't get me wrong, there's still a place for large-scale marketing research firms, but there's a better way to not only learn more than you ever thought possible about your target customer, but do it faster and actually test your hypothesis of which message will resonate most clearly.

We call this, "Accelerated Empathy."

A critical step in every client engagement is for us to leverage free, online and crowdsourced tools to conduct our own audience research. The goal is to uncover a clear picture of what makes our target buyer tick, without guessing.

I want to share the basics of how we put this into practice, but it's by no means an exhaustive list. The goal is to replicate the feel of a focus group by understanding what drives our target audience to purchase.

To make this more concrete, let me use the example of a past client who sold personalized whiskey stones.

Whiskey stones are typically made of non-porous soapstone. They help chill a nice glass of bourbon without diluting the drink, which is what happens with ice.

Here's a list of some of the places we'll visit for audience research:

Facebook Audience Insights.

AUDIENCE RESEARCH

This is usually our first stop, because it helps define the universe of our target audience and it surfaces other related interests we might want to explore further.

Although Facebook has started to pair down what kind of information is available in this tool due to privacy concerns, there are still plenty of helpful insights to uncover. For our example client, "whiskey stones" is too specific, but we can use a related interest target to start learning. By typing in "whiskey" and "bourbon" we start to learn more about our audience. More specifically, we're looking at interests like "small batch whiskey", since our audience is more interested in preserving the integrity of taste in top shelf liquor vs. something like Jack Daniels, which is probably just going to be used with a mixer.

This is where the first bomb was dropped on our assumptions. We assumed, along with our client, that the target was primarily a male audience. Audience insights actually showed us that 40% of our target audience was actually female. This led to the "aha" moment that a huge percentage of purchases in this niche was for a gifting audience. Without spending 15 minutes on Audience Insights, we would have missed this angle altogether.

Q&A sites like Quora.

Quora and other sites like it are *treasure troves*. You can easily browse by topic and category. Lucky for us, there's an entire topic on whiskey stones.

We'll scrape hundreds of questions and answers from Quora and place them in a document called...you guessed it..."Quora".

Scraping is just a technical term for gathering a lot of information from a website quickly. We'll use another tool like a word cloud generator to start visualizing any patterns. In this case, we noticed a common question, *"Will whiskey stones scratch my glass?"*

Reddit.

Reddit is a marketing researchers' dream come true.

Reddit is a place for users to build micro communities around the topics they care about. Those micro communities are forum-style threads called "sub reddits". Each subreddit is typically dedicated to a single topic. At the time of this writing, Reddit has 638,959 subreddits with about 500 new ones created each day.

We found loads of helpful information in the subreddits dedicated to bourbon and whiskey. We found TONS of opinions here about how effective they really are, which materials are ideal, alternate uses for whiskey stones, and more. As an added bonus, these threads are great places to identify potential influencers for outreach later.

Amazon.

Amazon is a beast of a marketplace. I don't think the average consumer even appreciates *how massive the scale is*, even though Jeff Bezos has been thrust into the limelight as the world's richest person.

For our purposes, Amazon provides a critical insight into our customer's sales objections. In this case, we search for whiskey stones on Amazon and identify the top 10 most popular results. For each listing, we're interested in viewing the question and answer section.

Here's why this is so powerful: *these are questions asked by real buyers who are right at the point of purchase.* It's like sitting at a checkout counter all day, listening to thousands of people ask the sales clerk questions about the product.

Here's where we identify more patterns. Some of these line up with what we spotted on Quora, so we'll pay attention to anything that has appeared multiple times. On Amazon specifically, we learned that a lot of people had safety concerns about the materials used in the stones and also a lot of questions around how to wash them effectively. Guess what we used for inspiration for writing copy on the product pages for our client? We already had the advantage of watching thousands of people move through this virtual checkout line and can now preempt what our prospective customers will be asking.

Reviews on competitor products are also really helpful, because they'll reveal where the customers' expectations were met (or not). That is a powerful window into what drove them to buy in the first place.

As a rule of thumb, we're keeping an eye out for the **strong emotional "trigger" words.** The "I loved" and "I hate" comments.

Anything that can reveal buyer expectations is a tremendous advantage and will help you approach your marketing plan more strategically.

After we've gathered relevant information from each platform (and others that I haven't even included here like keyword research), our team analyzes the patterns and then creates a simple matrix that synthesizes everything we learned about the audience. This matrix includes a lot of direct quotes from the target audience, which we'll often end up using in actual ad copy.

It serves as a blueprint for virtually every sales and marketing effort. Perhaps most importantly, it questions our assumptions and the client's assumptions about who the target audience is and what they care about.

Accelerated Empathy is so crucial to our success with clients that it became a big inspiration for our company name, EmberTribe. Our ability to deeply understand and decode your target "tribe" has been a part of our DNA from the beginning.

05

TRACTION OR SCALE?

What stage is your company in right now?

It's possible you are in the early stages of your journey with eCommerce. This is the phase we refer to as "traction".

In this phase, your business is producing less than $1M annually in top-line revenue. You may have a small Shopify store or potentially an FBA (fulfillment by Amazon) business with a handful of SKUs.

You've had some early signs of success and probably have run a few campaigns on Facebook. Although the campaigns aren't profitable, they have produced some sales and show promise.

Emotionally, this stage can be a rollercoaster! There are good weeks, bad weeks, combined with maddening inconsistency. If a campaign worked last week, why is it bleeding out cash this week?

I get it! But there's a path forward in the traction stage as long as you're focused on measuring the right things. Here are some of the key objectives for a traction phase eCommerce business:

- **Complete Audience Research & Testing** - create a blueprint to deeply understand your target audience and the competitive landscape.
- **Validate Campaigns** with consistent sales at a given ROAS (return on ad spend)
- **Generate First 1,000 Sales** to create a source list for Lookalike audiences
- **Test and Validate a "Top of Funnel"** lead generation offer that converts via email or messenger nurture sequence
- **Gather Social Proof, Testimonials** and a critical mass of reviews
- **Establish Accurate Tracking and Attribution;** formalize a so called "single source of truth"

The last point doesn't have to be overly complicated or rely on expensive enterprise software. The goal is to be able to measure a customer's path to purchase from first touch to purchase.

In the beginning, you won't have substantial amounts of data to conduct any large-scale analysis. But getting this piece wrong, means you'll have spent months amassing data that is largely useless. Very few analytics platforms can retroactively correct months (or years) of bad data.

If you've been relying solely on reports from a stock dashboard on a platform like Shopify, this is ok to start, but you're going to want a more robust solution as your business grows.

You'll be able to get pretty far using the free version of Google Analytics and getting diligent about "tagging" any links that you deploy to drive traffic with what are called "UTM" parameters.

I'm not recommending you spend a ton of time on analytics right now. Just about an hour or so to level set and make sure you have one place (Google Analytics) to refer back to as your single source of truth.

The traction stage business is about generating a repeatable process for sales that originate from outside your immediate sphere of influence.

The key question in traction mode is,

> *"Can I generate consistent sales from people who have otherwise been complete strangers to my brand?"*

Ok, now let's switch gears for a minute to talk about the **"Scale"** phase eCommerce business.

Honestly, I enjoy both phases equally.

But scaling is fun for obvious reasons because...

Sales Growth!

Before we dive in, let me tackle a common misconception that we address in our sales process with clients.

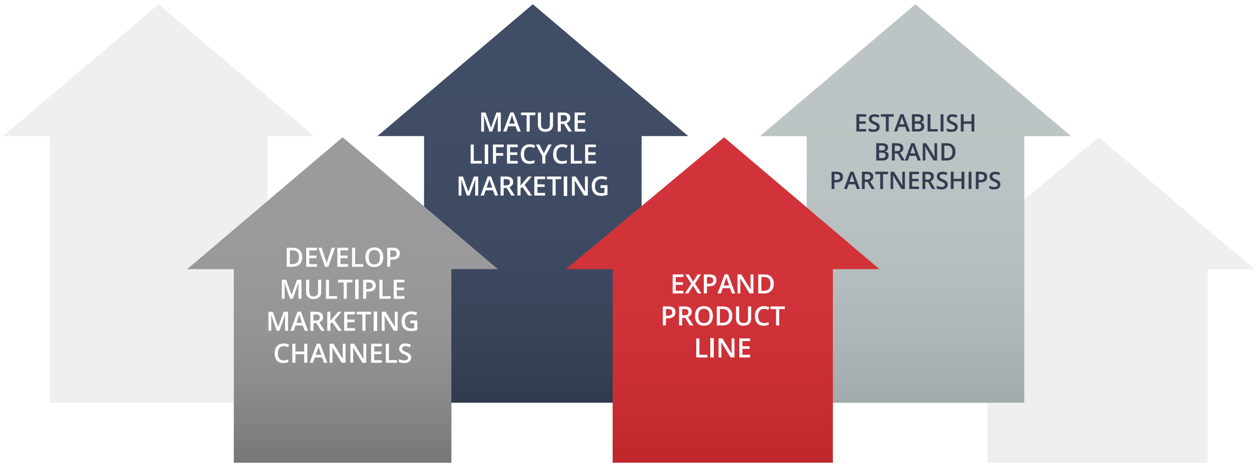
If you have a campaign that produces $10 for every $1 spent, that's a 10x ROAS (which stands for "return on ad spend"). It's easy to assume that you'll maintain that same ROAS at a $10,000/day ad spend just like when the campaign was spending $100/day.

Unfortunately, it doesn't usually work this way.

Now we've grown campaigns to this level of spend and beyond, but it doesn't happen overnight and there's other pieces of the puzzle that have to be in place.

There comes a point in every campaign where spending more leads to marginally less profitability. The $1 spent on ads no longer brings in $10, now it's $5. This doesn't mean that there's a ceiling on your growth. It simply means that as you scale, having multiple sources (what we call channels) of traffic and sales becomes crucial.

Let's take a look at some of the key objectives for a scale phase eCommerce business:



SCALE PHASE

- **Develop multiple marketing channels that work together** support a campaign at different parts of the buyer's path to purchase
- **Introduce mature lifecycle marketing** (e.g. post purchase follow up sequences, cross-selling, and more)
- **Expand product line**
- **Establish brand partnerships, content and collaboration**

I want to go deeper into a few of these points, without getting bogged down with the specific tactics for each one.

A scale phase eCommerce business is ready to invest in multiple marketing channels and they have a deep understanding around the value of each of these channels and how they work towards finding new buyers.

The classic marketing funnel image is helpful here for understanding this principle.

Imagine a funnel shape where the bottom of the funnel is the point of purchase. It's the acquisition of a new customer.

The very top of the funnel represents the time where prospective buyers are completely unaware of your brand.

Your goal is to bring people from completely unaware to...a rabid fan of your brand.

Well maybe not "rabid" but you get the idea.

In the beginning, Facebook may have accounted for 100% of your marketing budget and it nurtured buyers through each funnel stage: top, middle and bottom. Facebook is where customers first came into contact with your brand and it's the last place they clicked after making a purchase.

But as a business matures into scale mode, you'll have the opportunity to leverage different channels that are more efficient at the top of funnel. In other words, you'll be able to reach people for much less money. Right now, some of our most efficient top of funnel channels are YouTube, Native advertising and Pinterest.

Let me put this to you another way…

Could you stomach spending $100,000 in a given month on a channel that delivers zero sales?

Most people would say no. And to be fair, the question is a little bit of a trick.

Now what if I told you that the $100,000 spend would eventually bring $750,000 in sales 60 days from now?

Of course, you'd make that investment in a heartbeat.

If you wouldn't, I need to check your pulse!

A mature scale phase business understands their marketing spend on a few different levels. The first, is knowing how efficient it is for accomplishing the goal in its respective funnel stage.

For top of funnel, it's all about the efficiency and impact of reach. This is often measured in terms of CPM (or cost per mille).

As we move down the funnel, we look more closely at key performance metrics that indicate more purchase intent. Like viewing a product page, adding to cart or initiating a checkout.

Once a brand dials in its target KPIs for each stage of the funnel and knows what it can afford to spend to hit the goals at each stage, it's typically poised for 10x growth within 6 months to a year.

Why?

At least as it applies to new customer acquisition, it's a tremendous advantage to be able to outspend your competitors while remaining profitable and to have a presence on more than just one marketing channel.

Being able to invest in brand awareness and mass reach typically means that the brand has a long-term vision and as it is with most things in life, thinking long-term becomes a massive strategic advantage.

This proves true for investing, relationships, and education.

We'll address lifecycle marketing in its own chapter, but the revelation I want to drive home for you right now is that scale phase companies do a fantastic job of post-purchase follow up. In fact, it's not uncommon for high scale brands to generate 30-40% of their total revenue from email marketing.

There absolutely is a ceiling on growth for companies who refuse to market to their existing customer base. And as we'll see in the later chapter, it becomes a fantastic lever to outspend your competition and gather market share at light speed.

Going along with that theme of generating more revenue from your past customers, scale phase businesses know that they need to expand their product offering. That doesn't mean changing product categories per se. It just means adding more value to your customers over time.

For example:

You sold a fitness balance ball for at home workouts. What other complementary products can you offer that still deliver on that central promise of delivering an elite at home workout experience for your customers?

Or maybe you have a nutritional supplement for kids who don't eat their veggies. What else can you offer parents to care for their children's health without having to fight world war 3 every night at the dinner table?

Think of long-term growth through product expansion and specifically cross-selling your existing customer base.

06

KNOW YOUR NUMBERS

I like puzzles.

It's one of those cozy indoor activities I really enjoy with my family. Fire blazing, hot cocoa steaming and spreading those pieces out across the coffee table brings me a lot of joy.

But sometimes, a couple of those puzzle pieces bounce off the table and hide themselves under the couch.

That's *not* so much fun. Fewer things are more frustrating than having a nearly complete puzzle. Something delightful quickly turns into the itch that can't be scratched.

Part of the reason why I enjoy eCommerce is because it's really just about solving a puzzle.

Sure, you have to rotate the pieces and try different combinations, but with enough tinkering, eventually everything comes together.

But if you don't have all the puzzle pieces on the table, you're headed for a frustrating time.

In eCommerce, knowing your numbers is the equivalent of carefully laying out all the puzzle pieces on the coffee table.

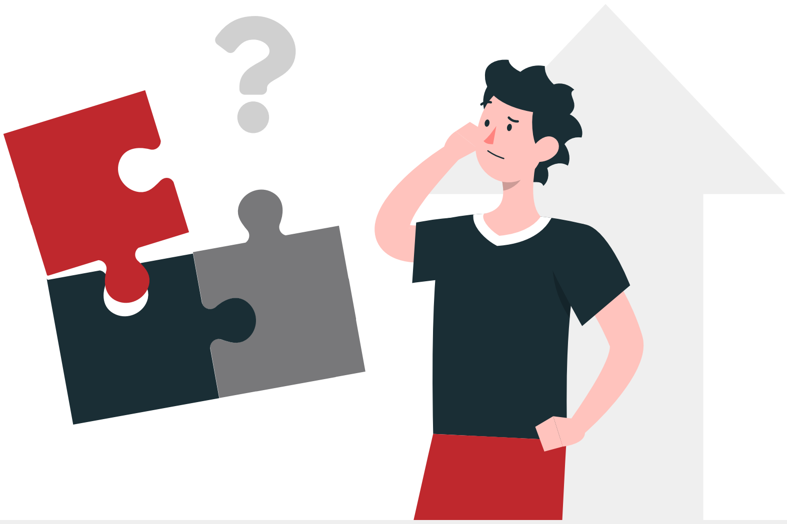
We could dive deep into formulas and other relevant calculations, and really, the math isn't that hard.

But all I want you to take away from this chapter is that

If you're going to solve one puzzle, it needs to be what you're willing to pay to acquire a customer.

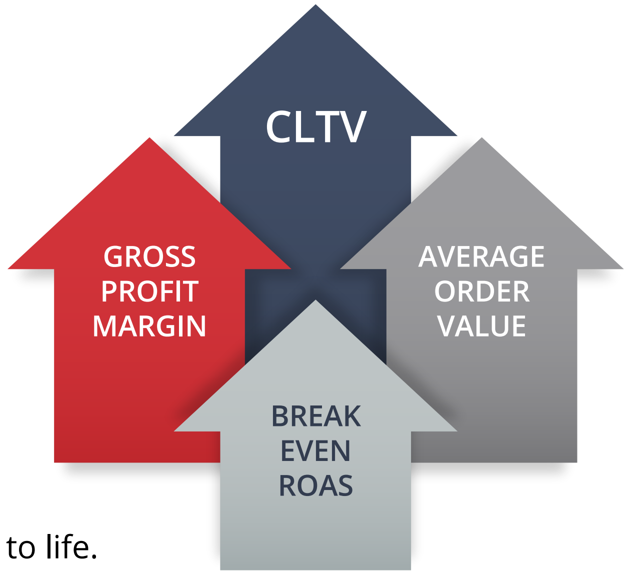
Here are some of the key metrics you should have down before spending a single dollar more on advertising:

- **CLTV** - Customer lifetime value. This is the total amount of money you will make from an average customer over their time doing business with you.



- **Gross profit margin** - Your sale price minus cost of goods sold
- **Average order value** - the average total cart value at checkout
- **Break even ROAS** - The return on ad spend needed to break even on a purchase, considering your gross profit margin

KEY METRICS



These metrics are important because they provide constraints, namely, around how much you can afford to pay to acquire a new customer.

Let's use some round numbers to bring this to life.

You sell watches for $100 each.

They cost $20 each to make.

Your gross profit on each sale is $80 (80% margin).

If you divide your sale price ($100) by the gross profit ($80) you'll find your break even ROAS.

In this case, you can achieve break even on a sale by getting a 1.25x ROAS.

Sale Price: $100	Cost: $20
Gross Profit per sale: $80	
Sale Price/Gross Profit: $100/$80=$1.25 ROAS	

In other words, as long as every $1 you spend on ads yields $1.25 in return, you're not losing any money on that first sale.

Now, we'll have a lot more to say on what your ROAS goals should be for acquiring a new customer in a later chapter.

But for now, it's enough to find that break even ROAS. It's a starting point. ***It's about getting all the pieces of the puzzle on the table.***

07

WHAT ABOUT AMAZON?
(The 800lb Gorilla)

Should you sell on Amazon?

Amazon is a force that you will have to contend with, whether you choose to sell in their marketplace or not.

I'll share some personal experience after working with hundreds of brands, but first, let's dive into some of the relevant data:

- Amazon accounts for approximately 50% of all online shopping.
- 89% of consumers are more likely to buy from Amazon vs. an independent eCommerce store.
- 66% of consumers will start their search for a new product on Amazon.
- 79% of consumers look to Amazon reviews before making a purchase... anywhere.

So, after digesting those statistics, you might be thinking, why *shouldn't* I list my products on Amazon?

Afterall, with FBA (fulfillment by Amazon), you can literally have suppliers ship products directly to Amazon's warehouses then have Amazon's massive workforce handle all of your fulfillment and returns.

You get to sit back and collect checks.

An Amazon FBA business can be highly profitable, and it's a fantastic model to build a lifestyle business that doesn't require a lot of maintenance.

Here's some of the downside:

- You don't actually acquire any customers. They all belong to Amazon, right along with their emails and shipping addresses and everything else you'd normally have access to.
- Amazon takes a large percentage cut of sales which can narrow down margins.
- Competition is fierce and the reality is your high performing product is on display for the world to see. It won't be long until someone treads on your "unique" product. They may even own their own supply chain or have deeper pockets.
- You have to play by Amazon's rules and what they want isn't always what you want. Take the recent pandemic where suddenly all "non-essential" product categories were de-prioritized and shipping times quadrupled, even for prime customers.
- It's very difficult to build a true brand on Amazon.

It's also important to think about your potential for an exit from the business, even if you're just starting out.

At EmberTribe, we've built an integrated support system for eCommerce businesses. Obviously, our center of genius is around marketing and growth.

But we've joined forces with other partners who can help deliver on your needs for things like bookkeeping, inventory planning, access to capital and even selling your business.

In fact, we just helped one of our clients sell their business for $9M after only 36 months of operation.

Our mergers and acquisitions partner shared some mind-blowing statistics at a recent meeting.

Amazon-only eCommerce businesses are selling for a multiple of 2-4x EBITDA (a fancy accounting term which basically means "net profit").

On the other hand, businesses that have even just 30% of their sales coming directly from consumers through an online storefront like Shopify are getting more than DOUBLE the valuation.

So instead of 2-4x EBITDA, they're seeing valuations between 4-8x EBITDA.

The difference can't be understated. That represents millions of dollars in gains that you add when selling the business simply by diversifying where you get your sales from.

So are we anti-Amazon?

Absolutely not.

We may not always appreciate the way they conduct business and treat their merchants, but we see it as a valuable marketplace, especially for brands that are just starting out. Our recommendation is simply to diversify around your efforts on Amazon to reap all of the benefits of having a direct to consumer channel.

These include:

- Owning your customer list, which enables you to cross-sell and increase the lifetime value of each customer.
- Have nearly double the valuation should you decide to sell the business
- Have diversified channels for sales for those moments where Amazon (or another marketplace) changes the rules in a way that's unfavorable for your business.

Should you decide to sell on Amazon alongside your direct to consumer store front, there's a few things you should keep in mind.

Our experience has shown that 70-80% of shoppers who see your ad on a platform like Facebook will check Amazon for that product's availability.

So, you need to keep that in mind when measuring the effectiveness of your ad spend. The truth is, a lot of sales that originated from your campaigns will end up buying your product (or a competitor product) on Amazon after seeing an ad. Also, it's difficult to attribute those sales to your ad spend.

It's critical that you have a more integrated approach to measuring total marketing investment against overall growth.

08

INVESTING IN THE LEARNING PHASE

It's common for us to hear, "I tried Facebook and Google ads and they didn't work."

It used to ruffle my feathers.

I'd think to myself, "you would never say that about another profession".

Can you imagine someone saying, "I tried flying a fighter jet for a day by myself but couldn't turn it on, so, jets don't work".

There's two major reasons why those who are new to eCommerce rush to the hasty conclusion that [fill in the blank] ads "don't work."

The first, is an obvious skill gap.

We've audited literally thousands of ad accounts from prospective clients. We've seen the same mistakes repeated over and over again.

The same people claiming that Facebook ads will never work often didn't even have a pixel installed to track success.

Or they were optimizing for the wrong campaign objective, like traffic. Paying for clicks, getting zero purchases and pounding their fists in frustration.

But I get it, who wouldn't be frustrated?

If you paid for 1,000 clicks and didn't get a single purchase, it's easier to blame Facebook for being a big scam than it is to confront the reality that you may not know what you're doing.

The beauty of these platforms is that with the proper training, you can master just enough to start getting traction with your eCommerce business.

When EmberTribe started growing rapidly, we needed a solution to bring new hires up to speed as quickly as possible without sacrificing quality, so we created a world-class training platform called Revenue Engine.

Right now, you can take advantage of this private training to hone your skills and get your business through the traction phase to start generating those first $10k+ months in sales consistently.

The second reason for this common fallacy is patience.

Patience is a virtue, especially in eCommerce.

Many times when we speak to people, we ask about how much money and time they've put into their ads. The most surprising answer we've heard is, "Well, we spent $30 total." We've also had people come to us after a month of working on their account ready to toss in the towel.

Now, let me be clear. We are not going to advocate for you to spend money that you don't have. There's plenty of organic ways for you to grow your eCommerce business without breaking the bank. However, throwing in the towel that early is equivalent to training for a marathon for only a month, then at the end of the month, expecting that you'll be able to set a record time.

Maybe if you're a gazelle, you can do that. But you know what? Most of us are not gazelles, just like most successful eCommerce brands are not overnight viral winners.

If you want to play the eCommerce game, you have to play the long game.

I wouldn't recommend starting any paid traffic campaigns without at least $1,000 to invest.

It also requires a longer-term mindset, because your initial investment into ads is going to be about getting learnings and finding traction.

Which ad creatives are cutting through the noise and grabbing attention?

Which audiences are responding?

How many days/weeks does it take for someone to buy after seeing an ad for the first time?

All of these questions (and more) need to be answered. It takes some ad spend and a lot of testing to answer them.

An example, we love to use when teaching clients about their ads, is to imagine your Facebook pixel is your student. While there are a lot of factors that go into a student's success, making sure your student is getting the best data to continually learn from is how they grow smarter and smarter until they're ready to face the world on their own.

You see, your pixel is constantly learning. The more data you feed Facebook's AI, the more tests you run, the more purchase events it collects, the smarter it gets. Meaning, it optimizes itself and starts to become incredibly efficient in finding the right customers for you.

Fair warning though, this doesn't (usually) happen overnight. We've seen accounts go from $0 to $10,000 in revenue a month in as little as one month in some cases, and much longer in other cases.

The thing to remember is that everyone's business is different. Regardless, in order to get to that sweet land of profitability, you have to be realistic about how much you can teach your student every month. Some people have large budgets to pour into their Facebook ads, and others done (which doesn't mean that you can't drive business organically), but ultimately, if you want your pixel to learn, you have to feed it data.

And after you've taught your student, given them the data they need to succeed, that student will start to drive a return on your investment.

09

THE DIRTY SECRETS OF 8-9 FIGURE ECOMMERCE STORES

Click-bait alert!

These aren't really "dirty" secrets.

But they sure seem like secrets, because 9/10 of the eCommerce entrepreneurs we speak to daily find these strategies completely foreign.

Let's get into the mindset of a BIG business for a second.

You may not have any desire to run an organization that can generate eight to nine figures.

And that's ok.

But it's helpful to think on that scale to make life easier for you even at smaller revenue figures.

BIG businesses are hungry for new customers and they're willing to acquire them at a loss. They've figured out that if they can deliver on a customer's expectations with the first sale, they'll come back over and over again.

Children and parents of the 90's will remember the game, Hungry, Hungry Hippos.

This gem features brightly colored hippos who have to scarf down as many red marbles as possible.

It is exactly what you should picture when thinking about how the largest eCommerce brands scale.

Scarfing up gazillions of customers upfront, even at a small loss.

Then they generate a profit on the backend!

In fact, these fast-moving hippos, I mean, eCommerce companies, are making 30-40% of their revenue from email marketing post-sale.

In many cases, repeat purchases account for 80%+ of their total profits.

It's one of the reasons why we talked about expanding your product line in chapter 5.

It's hard to have a long-term vision for a single product store, unless it's a consumable product that will naturally require a refill. But even then, you're selling yourself short with just one product!

I can hear you object…

"But I can't afford to acquire new customers at a loss, 'hoping' that they come back and buy from me again."

I hear you.

Cashflow is a real consideration for any early stage startup.

The good news is that you don't have to acquire new customers at a loss.

Just shoot for break-even as a "line in the sand" threshold.

Think of it this way…

If I walked up to you on the street and said, "Friend, I'll give you 100,000 raving customers for free. You'll own their email and phone numbers for lifetime follow up."

Would you take the deal?

Of course!

Here's where people get into trouble and severely slow their growth.

They sell a product that's less than $50, with poor margins and try to achieve a 5x+ ROAS.

Sure, that may be possible at lower levels of spend. But that profitability will decay at some point when you scale.

Now we do have clients who are producing 4-7x ROAS on the first sale even at high levels of ad spend.

But they're willing to take even less, knowing that they'll make even more on the backend.

1. $10k/mo revenue at 5x ROAS (that's a $2,000/mo ad spend for those following along at home)
2. $50k/mo revenue at 2x ROAS (that's a $25,000/mo ad spend)

Let's assume no cost of goods to make the math simple.

Scenario 1 produces $8k in profit.
Scenario 2 produces $25k profit.

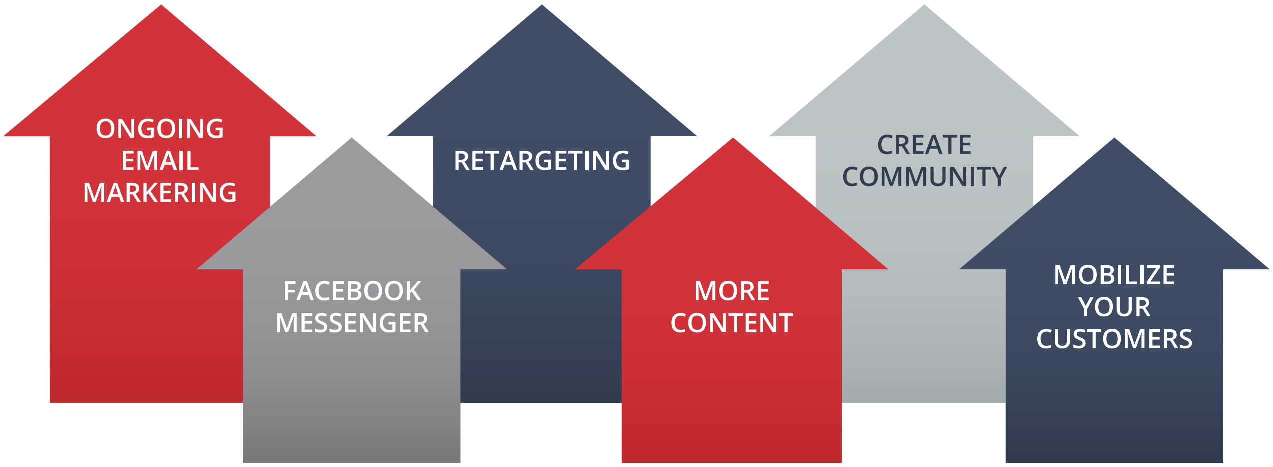
"But the ROAS is less than half in scenario 2?"

Correct, but the profit is more than 3x the first scenario where you only spent $2k in ads.

A hyper focus on ROAS will be severely limiting to your growth.

Especially if you are selling a lower priced product with thin margins, you should go long, and plan to make the bulk of your profit on the backend.

Here's some of the ways that we're engaging customers post-purchase:



ENGAGING CUSTOMERS POST-PURCHASE

- **Highly targeted ongoing email marketing.** We leverage tools like Klaviyo to create a segmented list of customers, based on their purchase history, demographics and other details.
- **Facebook Messenger engagement.** Facebook messenger has had a 90%+ open rate for us. That's over 4x the averages for email open rates! It means that even a small list goes a long way. Shopify in particular makes it fairly easy to let customers opt-in to a messenger sequence at checkout.
- **Post-purchase retargeting.** We actively exclude purchasers from our campaigns that are focused on new customer acquisition. But it doesn't mean we won't still target them with ads! In fact, pairing a customer retargeting strategy with an email campaign is a highly effective approach to generating a repeat purchase. Those retargeting campaigns are typically much less expensive to run too, since the list is warm.
- **Double down on great content.** Content isn't just an asset to use for customer acquisition. Use content to delight and serve your customers after they've purchased. Show them new applications for the product, answer frequently asked questions, or just add inspiration to their day. Content builds brands.
- **Create community!** Want to win over customers for life? Bring them into your tribe by creating a Facebook group where customers can interact with one another and feel like they're a part of something bigger than themselves. You'll also be able to mine this group for great testimonials and other user generated content that you can recycle for your customer acquisition efforts.

- **Mobilize a salesforce (your best customers).** You can also reward your best customers with a share of the profits by making them an affiliate for your brand. There are dozens of apps that can create links for your customers to share with friends and family when recommending your products. In exchange for bringing in new customers to your store, you can give them some % of the sale. And since you're ok breaking even on acquiring a new customer, there's a ton of flexibility here to incentivize your customers to share their link with a nice revenue share.

> **BOTTOM-LINE:** ***Think like a BIG business, even if you want to stay smaller. Gobble up customers on the front-end without demanding high profitability.***

Then build an absolute cash machine on the back end by knocking their socks off with delight.

In agency, we've had the pleasure to work with amazing clients and utilized the methods we've talked about here to grow their businesses like crazy.

We've worked with a small Amber Jewelry retailer out of Texas who makes jewelry specifically for pain relief. After working with her for over a year, building a goldmine of data, and building out a foundation that she can really flourish from, we started to scale her account by over $100k in a month.

We've also worked with other clients in more strategic capacities. Helping them with a 360-view of their eCommerce business because we know that the success of their brand goes beyond paid ads. One of our clients that makes pre-made mixers for old fashions hit a huge milestone when they joined the $20k a week club in March after working with us to improve their website and grow their brand through paid ads last fall.

10

WHAT'S NEXT? HOW TO TAKE ACTION

So are you ready to take massive action on your eCommerce business?

Where should you go from here?

Whether you're in the traction or scale phase, there are really two main resources required to pull it off: time and money.

If you have less than $3,000/mo to invest in ad spend, I'd recommend that you explore learning the ropes of paid traffic and executing these campaigns yourself.

Because in this stage in the game, you have more time than money. And by time, I don't mean that you're drowning in free time just wondering what to do with yourself. Even spending 5-10 hours per week on your business can go a long way.

It’s similar to what a real estate flipper might recommend when you’re working on your first deal. They’ll recommend putting in what’s called “sweat equity”. By doing some of the renovation work yourself, painting, tearing up carpets, or knocking down walls, can be a great way to add value to the property without hiring a team.

You can reinvest the profits from your first deal to hire a skilled carpenter to renovate a kitchen or bathroom on your next flip and maximize the gains.

Now back to your eCommerce store. Investing in sweat equity means you’ll utilize as much budget as possible for ad spend, which accelerates your timeline to get traction.

For this stage, we’ve created a “done with you” coaching program.

It’s a training program that we created to train our new hires at EmberTribe and turn them into world-class eCommerce marketing specialists.

It’s called “Revenue Engine” and it’s designed to get you to your first $10k+ months in sales in under twelve weeks. You’ll get access to one on one support and a thriving private group of your peers who are seeing explosive growth each month.

Now, if you’re ready to invest $3k+/mo in ad spend and want to hire a full team to scale your brand to the moon, you may be a good fit for our completely “done for you” service.

Our team becomes your team. We’ll provide everything from ad creative design to copywriting to campaign management across multiple platforms. You’ll be free to focus more on what only *you* can do - casting vision for the future of your business. You’ll gain the freedom to spend time where you are strongest, without being bogged down by the day-to-day grind of running campaigns.

Visit us at EmberTribe.com to book a strategy call. We’d love to hear from you and are happy to provide guidance on next steps.

Whatever direction you choose, I wish you massive success in your eCommerce venture. We’re living in an unprecedented time of opportunity, and it’s only the beginning!

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REVENUE ENGINE

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