Your **NORTH STAR** is **net profit**, which is simply **royalties – ad spend = net profit**. If you ignore *everything* else tracking-wise, you’ll still want to calculate net profit on a **weekly**, **monthly**, and **yearly basis**. Money in your pocket is the point of running ads, after all.

**Key Metrics & Calculations**

- **CPC**: cost per click
- **CPM**: cost per thousand impressions
- **CTR**: clickthrough rate (clicks/impressions)
- **CONVERSION**: % of clicks that produce a sale (sales/clicks)

  - When we say an ad is **converting** that means it’s producing **sales, downloads**, or **borrows**.
  - Must estimate this, because outside of Amazon Ads, we don’t have reporting on how many sales an individual ad is producing.
  - **RANK** is useful for estimating conversion on Kindle Unlimited Books, since page reads are a lagging metric (people don’t read the entire book the instant they borrow it) and borrows aren’t reported on KDP dashboard.
• **REVENUE PER SALE (RPS):** total series revenue produced by a sale of Book 1 when factoring in sellthrough to the rest of the series. This is an *estimate* of how much you can spend to generate a sale of Book 1 and still break even. (total series revenue / (Book 1 sales + Book 1 Borrows))

• To calculate KU RPS or Sales Only RPS, take (total series KU revenue / Book 1 borrows) or (total series sales revenue / Book 1 sales)
  - RPS will vary *significantly* based on your price. A series will have a different RPS depending on if Book 1 is free, $0.99, or full price, as the price of the first volume dramatically impacts sellthrough to the next book.
  - If the series is too new or doesn't have enough books to calculate RPS, that's no problem - just skip this question.
  - Emphasis on *estimate*. RPS just gives you a general idea of how much you can spend and still be profitable *before* sellthrough comes in (since it can take days/weeks for people to buy the next books). Net profit is *always* king.

• For best accuracy when calculating RPS, use a time period that meets all the following criteria (optimally) (3, 4, and 5 are *mandatory*):
  1. You have 50 - 100 sales or 1000+ free downloads of Book 1.
  2. Note that you can include box set revenue in the total series revenue, but this can skew the numbers. I generally omit it.
  3. No Book 1 price changes.
  4. No major series promo during that period or immediately before it (i.e. no BookBub deals/big promo site pushes—running PPC ads is fine).
  5. No new releases in that series during that period or immediately before it.

• **COST PER SALE (CPS):** ad spend to produce a sale of Book 1 (ad spend/Book 1 sales – baseline)

• **RPS is higher than CPS** means that the ads are probably profitable (confirm with daily/weekly net profit calculations)
  - Using this comparison allows you to scale before sellthrough is actually reflected in your net profit numbers. If you have a long series, it can take weeks for people to buy Book 5 or 9, which will make the weekly calculations look unprofitable.
  - If RPS is higher than CPS, but weekly calculations don’t reflect profits after a few weeks, series sellthrough from the ads being lower than the historical #s. Each advertising venue and retailer produces different sellthrough; this, however, is impossible to specifically track with any degree of accuracy.
  - Note that for books which produce the bulk of their revenue in KU (e.g. romance, urban fantasy, etc), CPS won’t be useful and, as such, comparing it to RPS isn’t how you evaluate ads. Use Amazon rank to estimate conversion, then use the weekly net profitability calculations to evaluate if the ads are producing enough page reads to be profitable.
• **NET PROFIT**: royalties – ad spend = net profit OR royalties – baseline royalties – ad spend = net profit

• **BASELINE SALES**: daily organic sales w/o advertising OR daily sales during a steady period of ad spend (Book 1 sales over X Days / X Days)
  - Take over a period where you have 100+ sales or 1000+ free downloads to smooth out variance

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**AUTHOR COMPS**

On **Facebook**, your comps don't have to be a 1:1 match. If I’m advertising an urban fantasy book starring a female protagonist, I can still target Jim Butcher (who writes the Harry Dresden series). I can even target paranormal romance authors (i.e. Nalini Singh), although I'd do this after testing other, closer comps who write urban fantasy.

On **BookBub**, you want to start by testing indie authors who write in your sub-genre. In this case, that'd be urban fantasy, but I can potentially niche down to authors who write urban fantasy with a female lead. You can achieve this level of granularity because you can target any author on BookBub. But this does not mean your closest stylistic/genre comps are going to be your best targets.

As an example, one of the best performing comps I found for my urban fantasy novel was an indie author who writes PNR reverse harem. My books don't have any romance subplot or steam. I wouldn't be targeting crime authors on BookBub with my urban fantasy, but you do have a lot more latitude than you might think. Still, I'll generally start with my closest indie comps and go from there.

On **Amazon**, precision is king. Hyper-targeting is the name of the game when you're using the sponsored product (keyword or ASIN) ads. This requires hand-curating your list of targets.

You want as close to 1:1 sub-genre matches as possible. That means for my urban fantasy book with a female lead, I'd be looking for authors who write urban fantasy with female leads.

That's what I'd target first.

You're probably only going to find 50 - 200 keywords that are a close match.

That's okay. Relevance is much more important here than quantity. You can slowly expand your targeting circle to increase your ad spend. Next, I'd do urban fantasy with a male lead. Then, maybe, paranormal romance (although that will likely be too broad for Amazon ads).

To summarize:

1. Facebook, so long as you're in the sub-genre, you're generally good.

2. BookBub, it can be beneficial (sometimes) to get a little bit more precise, but generally similar rules apply.
3. Amazon, you want to get as close to 1:1 sub-genre match as possible. Niche down as much as possible. Write regional crime novels? Great. Find the crime novels in that specific region (midwest, UK, whatever) and target those first rather than every James Patterson book under the sun. That level of precision is not always possible, but you should be thinking this way. It helps ad performance significantly. You can always expand later.

4. After you’ve exhausted targets on the various platforms, branch out to tangential sub-genres and authors who have audience overlap with yours. E.g. if you’re an urban fantasy author, try paranormal romance authors. If you write steamy contemporary romance, try milder authors.

For the actual mechanics of finding author comps, here’s where I do research (95%+ is on Amazon):

- Amazon
  - Also boughts
  - Sponsored Product ads carousel
  - Amazon Author profiles
  - Top 100 Bestseller lists
  - Top 100 Author Lists
- Google (e.g. “best indie urban fantasy books”)
- BookBub
- Audience Insights on Facebook

FACEBOOK BEST PRACTICES

- OBJECTIVE: traffic (for sales), conversion (for subscribers; not recommended to use FB to build your mailing list—expensive and low engagement)
- BIDDING: Campaign Budget Optimization (CBO)
- PLACEMENT: News Feed Only (if you want to target Instagram, do so in a separate ad set because the CPCs and conversion will differ)
- REGION: start with US unless your book has UK regional tie-ins. Roll out successful US ads to UK. Can also do Canada and Australia, but these are significantly smaller with limited upside.
- TARGETING:
  - AUTHORS/GENDERS: start with these in your sub-genre
  - MOVIES/TV: related to your sub-genre (e.g. True Blood if you write paranormal romance or urban fantasy, Battlestar Galactica if you write space opera)
  - AFFINITY: go to audience insights, type in an author interest, then see what non-book related interests your readers have such as podcasts, clothing brands, board games, TV networks etc.
  - LOOKALIKE: Organic mailing list, ad engagement, page engagement, website
  - CUSTOM: organic mailing list, all mailing list, ad engagement, page engagement, website, other authors’ shared custom audiences (e.g. you can ask
your author friends to share their page engagement audience w/ you, and then target everyone who has interacted with their page

- **KEY STATS**: Unique Outbound CPC, conversion (have to estimate this yourself)

**BOOKBUB BEST PRACTICES**

- **BIDDING**: CPM for time sensitive campaigns and scaling; CPC can be useful for backlist, but CPM works here as well
- **TARGETING**: test one author at a time and narrow by your genre(s); never target genre alone; can aggregate authors together once they’re tested and confirmed to be effective audiences
- **RETAILERS**: Amazon US for testing, then roll out successful ads/audiences to other regions/retailers. Can begin tests with non-Amazon retailers/regions for wide books, as sometimes these will perform very well for certain authors while Amazon US performs terribly.
- **KEY STATS**: CTR and CPC (conversion tends to be fine)

**AMAZON BEST PRACTICES**

- **RECOMMENDED AD TYPES**: sponsored products (keywords), auto ads, category ads (genre dependent, but can sometimes produce much cheaper clicks than bidding on titles/authors)
- **BIDDING**: Dynamic Bids Down only (default)
  - Difficult to get impressions in some genres without bidding $1+ (e.g. romance or crime). If your book isn’t profitable at these types of bids, don’t force it.
  - Suggested bids are often accurate for what’s required to get consistent impressions for that keyword, but can underbid to potentially pick up “leftover” impressions after higher-bidding advertisers have exhausted their daily budgets.
- **REGIONS**: US to start, UK later; regional stores if you have translations in that region’s language available
- **TARGETING**: book and series titles, author names, genres, related keywords (e.g. magic, werewolves, New York)
- **COPY**: can choose to write copy or just use the Standard (no copy) option; your cover impacts CTR and the overall efficacy of your ads a lot more than the copy.
- **TESTING**: monitor conversion on keywords and turn ads off that don’t hit your target conversion rate. I use a benchmark of around 20 clicks w/o a sale, but this can be too aggressive if you’re in a genre where your revenue is skewed toward reads. Dashboard is not 100% accurate and conversion rate tends to be low in page read heavy genres (e.g. romance).
- **KEY STATS**: CPC and CTR (indication of relevancy; I look for 0.10 – 0.25%+); sales & ACOS can be extremely inaccurate if you’re in Kindle Unlimited, so I tend to use these as ballpark estimates at extremes (e.g. 1200% ACOS = likely bad). Note that the Amazon Ads dashboard’s stats lag, so it can take 2 – 3 days after sales occur to register.
CHECKLISTS

Optimizations
In order of importance.

1. **FRONT MATTER**: always include a link to your newsletter on its own page in the front matter; can increase organic subscribers 2x or more.

2. **BACK MATTER**: limit to two CTAs on same page as THE END (newsletter and next book); placing this on the same page as THE END means they’ll see your most important links before Amazon’s automated end of book pop up occurs. Fewer links increases likelihood of the reader taking action. Put any additional links (e.g. social media or whatever) in afterword or about the author etc.

3. **DOUBLE OPT-IN**: turn this off unless you’re getting a bunch of spam sign-ups (unlikely); you lose 30%+ of your subscribers with this enabled, and contrary to popular belief, it does not cut down on spam complaints (I’ve had the double opt-in confirmation email reported as spam).

4. **AUTORESPONDER**: every week, have an automated email introducing readers to another series in your backlist. For example, a Friday email with the subject line “Looking for your next weekend read?” Email format is a simple story about the book (about researching, writing, something related etc.) followed by a 1 – 2 sentence teaser (can be your blurb, but whole thing not necessary), ending with the buy link(s). Do one series per email, not multiple per email.

5. **FORMATTING**: limit fancy formatting and images to minimize file sizes (this reduces your delivery fees when you choose the 70% royalty rate; if you have a lot of images, these fees can be $0.15 or $0.20).

6. **HOME PAGE**: have a newsletter sign-up on the home page as the first thing readers see. Example at dnerikson.com.

7. **UPSELL**: make your thank you page after someone signs up to the newsletter an upsell to the box set/Book 1 in the related series. Example at dnerikson.com/thanks.

Pre-Ad Calculations

**IMPORTANT**: The processes below are frameworks that you can follow, build upon, and tweak for your own books. They are not set in stone, nor are they the only approach to assessing the effectiveness of your ads. I simply want to show a couple streamlined approaches you can take to more accurately evaluate your ads.

**PROCESS (BASIC)**

1. Set a monthly budget and then divide that out daily (e.g. $1,500/mo = $50/day)
2. Track weekly net profitability numbers (royalties – ad spend = net profit)

**PROCESS (BACKLIST)**

1. Set a monthly budget and then divide that out daily (e.g. $1,500/mo = $50/day)
2. Calculate the revenue per sale (RPS) for the series \((\text{total series revenue} / (\text{Book 1 sales} + \text{Book 1 KU borrows}))\)

3. Run ads and determine the cost per sale (CPS) \(\text{(ad spend} / \text{Book 1 sales})\)
   - If RPS is greater than CPS, continue running ads and iterating on ads (CPC) and conversion to improve profitability.
   - If not profitable, then isolate whether traffic (CPC) or conversion is the problem (if both are the problem, best to work on one at a time). Test new ideas until profitable, or you determine series isn’t a good candidate for advertising.

4. Confirm profitability (RPS is just an estimate) by tracking daily and/or weekly profitability numbers \((\text{royalties} – \text{ad spend} = \text{net profit})\)

**IMPORTANT:** if you cannot calculate RPS (e.g. you just changed the price of Book 1, just shifted it from KU to wide or vice versa), then use the process for launches/promos below, with the daily/weekly profitability numbers to assess ads. You can still use cost per sale (CPS) to analyze if conversion rates and traffic costs are within reasonable bounds (e.g. $5 CPS would be solid for a full price Book 1, $25 would not).

**IMPORTANT (2):** CPS will be absurdly high if your book is in KU and you write in a genre where revenue is 70%+ weighted toward reads. CPS is much less useful in these situations; monitor using rank to estimate conversion (e.g. borrows) and focus on daily/weekly profitability #s instead.

**PROCESS (LAUNCHES/PROMOS)**

1. Set budget (for both the week of the promo/launch and also for the remainder of the month to support the generated visibility)
2. Track daily/weekly profitability numbers during and after launch/promo.
3. Track conversion/cost per sale as relative metrics; e.g. with all the noise, a 5% conversion rate won’t be actually all from ads, but if conversion goes from 2% to 5% when you start new ads, that’s a good indication that the new ads are converting better.
4. If in KU, track your rank to assess visibility and conversion (e.g. if your ads are producing borrows)

**NOTE 1:** if you don’t have RPS numbers for your backlist series, then you’ll use this approach.

**NOTE 2:** Evaluate the numbers based on the strategy you’re using; if you’re discounting and pushing for visibility, the bulk of the profit is going to come after the promo or launch week; initial launch week numbers will likely be negative.
For a launch or promo, you’ll only do Step 1. For a backlist book, you can do both steps.

(1) **First, nail down good CPCs by testing ads and audiences.**

1. **Start with 2 – 6 ads with completely different headlines, copy, and images (to a single audience)**
   1. OR start with 2 – 6 ads with same headline/copy, just different images (to a single audience)
   2. **ADVANCED:** start with 2 – 6 ads (using either approach above) to 3 separate audiences. I don’t generally start with more than 3 because otherwise it takes a long time to get reliable data unless your budget is huge.
2. **Wait until Learning Phase is complete (50 clicks for at least one audience/500 impressions for at least one ad) and thus data is stable.**
   1. If none of the ads are good, start over with new ads and new audience.
   2. If some ads look at least semi-promising, create 2 – 5 iterations on your best performing ad (can also do your second/third best ads, too etc.).
      A. **Iterating** involves changing *one* thing—the image, headline, or the copy—and leaving everything else the same.
   3. OR roll out your best ads to 2 – 5 new audiences.
3. **Iterate every day or every other day, depending on budget or time (need learning phase to complete), until you have ads with low enough CPCs.**
4. **Aggregate best similar audiences together (i.e. authors with authors, TV shows with TV shows, not TV Shows with authors) and run your best ads to them.**

**NOTE:** as you become more experienced, you can shut off ads and iterate before the Learning Phase is complete, since you’ll have a better feel for what’s good.

(2) **Second, nail down best converting ads.**

**NOTE:** you do not have to do step two (it is time consuming), but it will provide the most accurate data on which ads are converting best.

1. **Turn off all your ads except for the one with the lowest CPC. Log conversion, book rank, and cost per sale for 1 – 3 days. The longer you track, the more accurate conversion and cost per sale data will be.**
2. **Repeat process with your next lowest CPC ad(s) until satisfied.**
3. **Compare ads’ cost per sale (CPS) to the series revenue per sale (RPS).**
4. **Turn ads back on with a CPS lower than the series RPS.**

If you’re in Kindle Unlimited and in a genre heavily weighted toward page reads like romance, you cannot compare CPS to RPS, as the bulk of your revenue will be page reads. Since page reads come in a few days or even weeks after the initial borrow (because people won’t read the
book instantly), the one ad at a time method cannot accurately evaluate which ads are producing reads.

You can track changes in daily rank instead of focusing on sales, but this imperfect.

In such instances, it’s easier to skip the conversion measurement step and instead focus on daily and/or weekly net profits to assess whether the ads are effective or not.

(3) [optional] Optimize your Amazon page’s conversion by testing different blurbs and taglines on Facebook (judge by lowest CPC) then using the best ones on Amazon.
(4) [optional] Further optimize conversion by testing different prices on Amazon: change price for 1 – 2 weeks, then compare to the conversion and daily/weekly net profits at original price. Test prices until satisfied.

**Copy & Images**

I almost always start with the blurb and a square ad with the cover on it (usually the cover overlaid on top of the cover w/o the text, if available). I also try a horizontal version of the same image with the cover on it.

Other images I’ll try:

1. Book cover on stock photos
2. Book cover on black and white version of cover w/o text
3. Book cover on different cover backgrounds from the series (i.e. if I’m advertising Book 1, I might try Book 1’s cover on the Book 2 cover background w/o the text)
4. Book cover background w/o text (no cover)
5. Stock photos (no cover) (I only use these if the cover is burned out, not working, or Facebook won’t run it; I’ll either conversion test these one by one if I want to scale, or use them with the Free in Kindle Unlimited headline if I’m doing a launch and can’t conversion test)

I try for copy:

1. Excerpt x 2
2. Teaser x 2
3. Review Quote x 2

You can test more than two each, but this is the 20% that will get you 80% of the way there. You’ll get the most mileage out of testing more teasers—the angle you take with the copy can make a huge difference.
BookBub Step-by-Step

1. Test one ad creative to three audiences (one audience per ad, so three separate ads) on Amazon US only. Budget of $4 - $6 per ad. Looking for ads with CTR of 1.5% - 2%, although can be lower in crime/mystery/thriller.
   a. If none work, scrap creative and try a new creative to three new audiences. Repeat until you find an audience and creative that works.
2. Then test three new creatives to that winning audience; rinse and repeat until you have a stable of effective audiences and creatives.
3. Aggregate effective audiences together, run to all retailers/regions you want to target, and run best creative(s) to them OR simply keep individual audiences running at smaller budgets. The former is easier to manage, but sometimes causes the CTR to plummet; the latter can burn the ads out a bit faster and is difficult to scale as high.
4. Scale ad spend. BookBub spends extremely fast, especially at high CPMs, so only enter amounts that you’re willing to pay. I like to scale by feeding it in intervals to monitor how CTRs are doing, particularly if I just aggregated the audiences together. I might start the day with a $50 budget, let that spend, then come back at noon or 2 PM and give it another $50 if the CTRs look good, and so forth. This allows me to stop and adjust course if I see any degradations in performance, but it’s also very time-intensive.

You can test more than three audiences or creatives at a time to go quicker, but the downside is that if you test one bad ad creative to seven audiences or ten audiences, you’ve wasted a lot of money and you may have accidentally ruled out some audiences that would have been effective with a better creative.

Note: if you’re wide, you can test by targeting all retailers/regions EXCEPT Amazon instead. This is useful when you’re having trouble getting decent CTRs on Amazon US; many audiences that perform poorly when targeting Amazon US can be useful if you target the other retailers/regions instead.

FOR BACKLIST SPECIFICALLY

Use the same process as outlined above, but don’t scale the daily spend high unless you want to burn out your ads. The daily spend threshold will vary based on genre and audience size.
Amazon Step-By-Step

For each first in series or box set that makes financial sense (e.g. is profitable) to advertise, create the following ads:

Important: tightly curated means same sub-genre and similar branding. E.g. if you write an urban fantasy series starring a male protagonist, focus on the urban fantasy books with male protagonists. In this instance, books with female leads would be medium curated; paranormal romance would be loosely curated.

1. Category ad (create separate ads for each category that makes sense—e.g. if your book fits into romantic comedy, contemporary romance, and sports romance, create a separate ad for all three; they’ll perform differently depending on how the book is positioned)
2. Auto ad
3. Sponsored product ad with 25 – 200 tightly curated keywords (indie authors/book titles)
4. Sponsored product ad with 25 – 200 tightly curated keywords (trad pub authors/book titles)
5. Sponsored product ad with tightly related genre-related keywords (e.g. romance/sports romance/hockey romance)
6. Sponsored product ad with genre related nouns (e.g. wizard/warlock/vampire/London)

Then:

1. Shut off any keywords that aren’t performing (I use a no sales in 20 – 25 clicks threshold)
2. Shut off any ads that still aren’t performing after I tweak the keywords.
3. Add keywords as new books come out or you find additional comps.
4. Tweak bids, increasing if we want to get more impressions, or decreasing if cost per sale is too high but keyword is generating decent conversion.
5. Repeat.

Copy

The cover plays the biggest role in CTR (looking for 0.10 – 0.25%+). If you don’t want to write copy, you don’t have to; effective copy can increase the CTR, but generally has a relatively minor effect on the ad’s performance.
METRICS

SELLTHROUGH

In my experience, 35% - 40% sellthrough from a $2.99+ Book 1 to a full priced Book 2 is good. For KU readthrough, you're looking for 50 - 60% from Book 1 to Book 2. This will vary based on genre. But if you’re seeing #s more than 10% higher than this, it’s either a unicorn book (possible—in which case you should probably look into scaling your ad spend) or the numbers are calculated incorrectly.

FACEBOOK (CPCs)

CPCs rise as you scale your spend. Make sure you’re looking at the Unique Outbound CPC metric for maximum accuracy.

CPCs below are for a full price book that’s either wide or Free in Kindle Unlimited. Truly free books generate CPCs about 30% - 40% lower than the stated average.

A higher CPC than the stated range doesn’t mean that your ads are bad or unprofitable. These are just rough guidelines; there are many, many exceptions to the ranges below. **Net profit** is always the most important metric.

- Cheapest: Romance (sub $0.15 possible, $0.15 - $0.25 @ $50+ daily ad spend)
- Middle: SF/Fantasy ($0.15 - $0.25, $0.25 - $0.30 @ $50+ daily ad spend)
- Most expensive: action/adventure/thriller/crime ($0.25+ expected, $0.35 - $0.50 @ $50+ daily ad spend)

BOOKBUB (CPMs):

- Cheapest: action/adventure/thriller/crime
- Middle: SF/Fantasy
- Most expensive: Romance

However, CTRs tend to be the inverse (target good CTRs for $0.99 or Free in Kindle Unlimited books listed in brackets):

- Lowest: action/adventure/thriller/crime (1 – 2%)
- Middle: SF/Fantasy (2 – 6%)
- Highest: Romance (2 – 7%)

This means that CPCs across genres tend to be similar for good ads, despite the differences in CTRs/CPMs. If you’re in crime, for example, you want to bid lower with the CPMs; otherwise, by bidding too high, you’ll get a combination of high CPMs + low CTRs, which results in awful CPCs.

AMAZON (CTRs)

CTR is used to assess the relevancy of your targeting. E.g. if you put your epic fantasy book in front of non-fiction readers, CTR is going to be low. A low CTR on a profitable ad is fine, but if
you’re generating a lot of clicks but low conversions, then CTR is the first troubleshooting metric to look at.

- CTR: 0.10% - 0.25%+ (note: will generally be lower for category ads; this is okay)

**CONVERSION**

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<tr>
<th>Expected Conversion</th>
<th>Free</th>
<th>$0.99</th>
<th>$2.99+</th>
</tr>
</thead>
<tbody>
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<td>25%+</td>
<td>5 - 8%</td>
<td>0 - 5%</td>
</tr>
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<td>25%+</td>
<td>10 - 20%</td>
<td>1 - 5%</td>
</tr>
<tr>
<td>Amazon</td>
<td>-</td>
<td>4 - 12%</td>
<td>4 - 12%</td>
</tr>
</tbody>
</table>