A FIELD GUIDE FROM PRATER PAID MEDIA

How Meta Ads Actually Work

Everything a small business owner actually needs to understand about running ads on Facebook and Instagram, minus the lecture, because you have a business to run.

PRATER PAID MEDIA

green lights, not guesswork

START HERE

You don't need to become a media buyer

You just need to understand what you're paying for. That's the whole point of this guide, so nobody can sell you a dashboard you don't understand or spend your money on the wrong thing.

Meta ads (that's Facebook and Instagram) feel complicated on purpose. A busy interface makes people feel like they need to hand it off and stop asking questions. But underneath, the whole thing runs on one simple idea. Once you see it, everything else falls into place.

The one idea that explains everything

Every ad campaign is just moving a person one step along a path:

Stranger → Watcher → Clicker → Customer

You use cheap ads to turn strangers into watchers. You **capture** them so you can reach them again for free. You show more ads to the watchers to turn them into clickers. Then you find more strangers who look like your clickers, and repeat.

That's it. Awareness, targeting, retargeting, lookalikes, all the scary words, are just tools for moving people one step along that path, and for **keeping** the people you've already paid to reach. Keep that picture in your head and the rest of this guide is common sense.

Your ad account has 3 levels

Everything lives in three nested layers. Once you can name them, every piece of the interface slots into one of the three.

1. Campaign — the goal

One decision: what do you want to happen? More sales? More leads? More people knowing you exist? You pick this first, and it matters more than anything else.

2. Ad Set — who sees it, how much, and where

Your audience, your budget, and where the ad shows up (Feed, Reels, Stories) all live at this level.

3. Ad — the actual thing people see

The video, the photo, the words. The creative itself.

Think of it as: the destination, then who's in the car and how much gas, then the playlist. That's the whole map.

Meta gives you exactly what you ask for

When you start a campaign, Meta asks what outcome you want. Awareness, traffic, engagement, leads, or sales. And here's the thing nobody tells you: **it will get you that exact thing, and nothing else.**

The trap almost everyone falls into

They pick "traffic" or "engagement" because it's cheap and the numbers look big. So Meta finds them champion clickers who love to tap and never buy, then they wonder why nothing sold. If you optimize for **purchases**, it finds buyers. Ask for the thing you actually want, not the thing that looks good on a screenshot.

The same budget, two different asks

Optimized for clicks

4,000 people click. They love clicking. 2 of them buy. Your dashboard looks busy and your bank account doesn't move.

Optimized for purchases

800 people click. Fewer, but Meta hunted for buyers. 30 of them buy. Quieter dashboard, real money.

Same spend. The only difference was what you asked for.

THE PART THAT'S QUIETLY COSTING YOU MONEY

Half your sales might be invisible

This is the single most valuable thing in this guide, and almost nobody checks it.

There's a tiny piece of code on your website called the **pixel**. When someone buys after clicking your ad, the pixel is supposed to whisper back to Meta: "that one worked." Meta takes that and goes finds more people like your buyer. That feedback loop is the entire reason ads get better over time instead of just more expensive.

Around 2021, that loop started breaking.

What breaks it

iPhone privacy settings and ad blockers now hide 30 to 50% of those whispers. Meta only hears about half the sales you're actually getting, so it's optimizing on half a picture.

The fix: the Conversions API

Your website's server also reports the sale, and a server can't be blocked by a phone setting. Pixel + Conversions API together, and Meta hears most of it again.

Check yours in 2 minutes

Open **Meta Events Manager** and look at your data sources. If the only thing there is "pixel," with no server-side connection, that's your first job this week. It's usually free money, most small accounts are missing it.

Why it matters more on a small budget: if Meta's guessing with half the data, you can't afford the waste. Fix the measurement first, then everything you do after it actually compounds.

Cold, warm, and how to build "warm" on purpose

There are only two kinds of people you can advertise to, and one is far cheaper than the other.

Cold — never heard of you

Interest targeting and lookalikes. More expensive to convert, because you're starting from zero.

Warm — already engaged

People who watched your videos, follow you, visited your site, or are on your email list. These are the **cheapest sales you'll ever get**, because they already raised their hand. Advertising to them is called **retargeting**, and it's the highest-return thing in most small accounts.

Lookalikes: the expansion engine

You hand Meta a list of your best people (say, everyone who bought), and it goes finds strangers who resemble them. A **1% lookalike** is the tightest match, and it's the right one for a small budget. Wider ones reach more people but need more money to work.

The strategy in one line: build a warm audience while it's cheap (run cheap video or engagement ads), retarget that audience to sell, then build lookalikes of your buyers to find more strangers worth reaching. That's the whole funnel. You're just moving people from cold to warm to customer, and keeping them.

WHERE THE MONEY GOES

Don't split a small budget six ways

The most common way small businesses conclude "ads don't work" is a budget spread so thin that nothing ever learned anything.

Here's why. Every new ad set starts in what's called the **learning phase**. It needs roughly **50 sales (or leads) a week** to figure out who your buyer is and settle down. Until then, results are jumpy and costs are higher.

So if you take $600 and split it across six ad sets at $100 each, none of them ever gets enough data to learn. All six stay confused forever, and you conclude ads don't work for your business. **One ad set with the whole $600 gets smart. Six stay stupid.**

Two rules fall out of this: concentrate your budget so at least one thing can actually learn, and **don't make big edits mid-flight**, because editing can reset the learning phase and spike your costs. Change one thing, then leave it alone to breathe.

A word on "Advantage+" and automation

Meta will push you toward its automation constantly. It's genuinely good, but it learns by spending, so it needs volume, roughly **$10,000 a month**, to have enough data to beat a human. Below that, it's guessing with money you can't afford to hand it while it learns. If you're spending less, you're better off with hands-on, deliberate targeting. (Which, not coincidentally, is what I do.)

THE SCOREBOARD

The numbers that matter, and the ones that lie

Most ad dashboards are ninety percent decoration, because a busy dashboard feels like value. Here are the few numbers that actually change decisions.

These matter (they tie to money)

Cost per result — what one customer cost you. The number. If you watch one thing, watch this.

Click-through rate (CTR) — your ad's report card. Low usually means the creative isn't landing.

Frequency — how many times someone's seen it. Over 3 and you're paying to annoy people.

CPM — what it costs to be seen 1,000 times. Tells you how contested your audience is.

These feel good and lie

Reach & impressions — how many people saw it. Feels like success, pays no one. A million impressions and no sales is just expensive.

Likes & engagement — nice, unless engagement is literally your goal.

The rule: if a number wouldn't change what you do next, it's decoration, not a metric.

The one number to judge everything by

Take what you spent, divide by how many people actually bought or booked. That's your cost per customer. It's either lower than what a customer is worth to you, or it isn't. Lower? Spend more. Higher? Fix something first. That's the entire decision.

THE WHOLE THING ON ONE PAGE

The cheat sheet

1. **Fix your tracking first.** Pixel plus Conversions API. If you're missing half your data, everything else is a guess.
2. **Ask Meta for what you actually want.** Optimize for sales, not clicks, or you'll get clickers who never buy.
3. **Retarget your warm audience.** The people who already visited are your cheapest customers. Don't ignore them.
4. **Concentrate your budget.** One ad set that learned beats six that stayed confused.
5. **Watch cost per customer and frequency.** Ignore the vanity metrics that feel good and pay nothing.
6. **Change one thing at a time.** So you actually learn what worked, and don't reset the learning phase.
7. **Creative is most of the game now.** When an ad stops working, it's usually tired, not broken. Refresh it.

Want to know where your account actually stands?

Take the free 5-Minute Ad Audit. Answer a few questions and get a red, yellow, or green light on the seven things that decide whether your budget makes money or quietly evaporates. No lectures, no pitch, just your results.

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I run paid media, only paid media, for small brands. If you'd rather someone just handled it, that's the job.