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**David:** They increase their overall margin by taking one set of customers and saying, 'We actually don't want to appeal to you anymore.'

**Intro:** This is AdLib: Performance Marketing dissected, decoded, and delivered.

**Gavin:** Hello. We are back in the Ad Lab. I'm your host, Gavin Flynn, and today I'm going to be joined by LP Chief Product Officer David Johnson. He spent the last decade helping scale enterprise strategy here at LP, while working closely with some of our largest brands. David and I cover a bunch of different topics during the conversation, but most importantly, we got into change management and adaptability within the modern marketing landscape.

**Gavin:** David's the man—loved having him in the studio. He was in town in Portland, coming from Charlotte. Hopefully we get to have him on either remote or in person again soon. But before we jump into that, this is actually our final episode of season one of AdLib, so quickly, I just wanted to say thanks to anybody and everybody who's tuned in.

**Gavin:** We're going to be back Tuesday, June 16th for season two, and we've got another great round of guests and a lot more to come. But we're shifting gears for our hot headline, and I'm joined by LP Executive Account Manager Elisabeth for our headline. Elisabeth, welcome in.

**Elisabeth:** Thanks for having me.

**Gavin:** When we first opened up this article, you had some strong feelings and thoughts. So we're going to get a nice balanced opinion here for the article on hand. So I'll let you also give your initial reactions when you saw the article. But basically, there was an article talking about how AI Max is impacting cost-per-click bids on search specifically.

**Gavin:** But before we even dive too far into it, I want to make sure that the audience has a pretty clear view of AI Max versus Performance Max. Can you explain the differences between those two automated campaign types?

**Elisabeth:** Yes, Google loves to use really similar names for things, so everyone gets confused. Okay, so Performance Max is sort of an all-in-one campaign type, so it gives you access to placements on all of Google's channels. So you have Search, you have Shopping, you have YouTube, Display, and it shows up in Gmail. All of those kinds of different placements are eligible through Performance Max. AI Max actually is not a campaign type.

**Elisabeth:** It's a setting that you can enable on search campaigns. Technically, it encompasses three settings all in one, and so it is something that you don't launch new campaigns for—you just choose to turn it on for relevant search campaigns.

**Gavin:** Okay, got it. And I know that you work pretty intimately within these different accounts that we're running for clients, so you're pretty up to speed on adoption rates with these new tools. You can speak from your own personal perspective, and then maybe you can speak from the larger LP perspective. What are your thoughts on being a first adopter of a tool like this versus maybe waiting, sitting back, seeing the playing field, and then jumping in? Where do you stand on that?

**Elisabeth:** I think it really depends on how risk-averse each business is, right? If you're in a space where you are really cautious and nervous about messing up what's working for you, if you have really tight margins and really strict goals, anything like this where you're wanting to be an early adopter on something that's really broadening what you can serve for because of how much freedom you're giving Google, there's going to be a much higher risk associated with that.

**Elisabeth:** So I think if you have a small business especially, it's going to be a lot riskier. Yeah, SMBs in general are going to have a harder time. And with something like AI Max specifically, a lot more risk is going to be involved with anything lead-gen based, because when you're talking about E-com, your conversion is a purchase. That purchase definitely happens.

**Gavin:** We have the money. There is security in it.

**Elisabeth:** Exactly. If it says it got you this purchase, there was an actual purchase. Whereas when you're talking about Lead Gen, if you're optimizing for form fills or calls or chats, they happened—but was it junk? Tough to tell. Even if you're monitoring that closely, you'll probably see that if it's optimizing toward those form fills or those calls, it might do a great job at getting a bunch of calls that are actually people looking for customer service for your competitor, which I have seen.

**Elisabeth:** So if you are not monitoring that and filtering for that, it gets dicey fast. So anything with Lead Gen and automation, you have to be a lot more cautious in general, but especially being an early adopter for that is going to be a lot riskier.

**Gavin:** Well, and that's because you're talking about the broadening of the targeting strategies if you're implementing AI Max into one of those campaigns. A lot of the data that might be shown in findings that are surfaced in articles might not be telling the full picture where, if you're talking about conversion rates, there are so many things that can impact a conversion rate within a campaign, like external factors. I was curious from your experience, if you have AI Max turned on within a search campaign, does it start to blur the lines between branded and non-branded?

**Elisabeth:** It can, especially if it's not set up carefully. Yeah. So the way that AI Max works is that the base setting of it is search term matching, where you're letting it get broader about what the

search query is that it's allowed to serve for. The concept with it is that keywords are too strict now. People search much more conversationally.

**Elisabeth:** They might write a full paragraph question, and if you're just keyword bidding, you're not going to serve for that. So the idea is that as people change how they search, you're not keeping yourself from being eligible to show up for them. The problem with letting it get broad like that, though, is that then anything can kind of show up for it that Google deems as relevant.

**Elisabeth:** It has a bunch of signals and information you don't have. It's very smart about those things, and it's using the context of the keywords that you do have and your website or landing pages to understand what your business is and whether or not a query is relevant. But that also means that it can bleed in stuff that you might not have wanted in that campaign. So all of that sculpting you might have can get really messy really fast,

**Gavin:** Which might not be as big of a deal if you're operating at a \$50,000 monthly budget, but makes a lot bigger impact if you've got 1,500 bucks.

**Elisabeth:** Yeah, absolutely.

**Elisabeth:** And if you're looking at it from a CPC and a cost-per-conversion perspective, typically you're going to expect those to be much lower for a brand than you are for a non-brand. And so when that volume bleeds over—which is an easy issue to have with Performance Max also—it really skews how that campaign is performing. And if you're not looking to see if it's truly what it's supposed to be, it's easy to over-allocate into that campaign because it's letting the wrong volume bleed through. It really skews perspective and changes your optimizations.

**Gavin:** Yeah. I have a thought that I wanted to run by you. My thought right now is these are all steps to get these accounts to the point where ads start populating in the AI overviews.

**Gavin:** Oh yes, Google—okay, that was a quick agree right there.

**Elisabeth:** They've made it very clear that this is the gateway to ultimately getting placements in those. The headline makes it sound like AI Max is responsible for CPCs rising, which is silly. CPCs have continued to rise year-over-year for a very long time across all different campaigns.

**Elisabeth:** Exactly. Automation is a huge factor in this as automated bidding and automated campaign types of every kind become ubiquitous, meaning that everyone's automation is bidding against each other and it just rises, right? That's been true universally, but what it doesn't talk about so much is how the SERP has changed as a whole. That AI overview placement means that ads are actually pushed down further and organic barely even exists. There are like two listings at the bottom of the page for organic search, and so many clients now are asking why organic is struggling so much year-over-year.

**Gavin:** It's getting squeezed out.

**Elisabeth:** It's getting squeezed out. For informational queries where people are looking for answers to questions, they are just reading the AI overview and bouncing. They don't need to go to the website to get that information anymore. So a lot of SEO now is conversation around how do we optimize for getting placements in AI overviews for Google, or optimizing for ChatGPT, to really be showing up there when people are looking for info. How do you be a source in that? But we know from Google that to be eligible for it, you have to be opted into these automatic settings.

**Gavin:** My mind goes to the SMBs and the new businesses. Whenever I read an update like this, the ratio of that impact is so much bigger for brands who are just getting started; the enterprise folks are going to be fine. So to kind of close out, let's say you have a relatively new E-com or Lead Gen brand that has been running an account for maybe a year. What would your advice be when they're getting Google reps talking about the value of these automated tools? What would be your main takeaway to plant in their mind?

**Elisabeth:** I would look at it as a little bit of a tiered thing. Because what we didn't talk through is that there are other levels of AI Max. The search term matching is the first piece. There's also allowing it to write ad copy and giving it the flexibility to serve on every page of your website, giving it the freedom to shift landing pages based on what Google thinks will perform better. If you opt into those, those are three separate settings.

**Elisabeth:** But the biggest thing I would say is take it cautiously, one thing at a time, right? Start with the search term matching first before you start rolling into the rest. When we first launched Performance Max, it was such a black box where you were just throwing budget in and trusting it. AI Max has more visibility than we ever had in the beginning. You can go in and see what search queries and copy served to an extent, though they hide some of it for data privacy reasons.

**Elisabeth:** So monitoring what actually is happening after turning those on is really important. You can use lots of inputs to guide it effectively—like choosing which pages you're letting it scan, and it even has a Gemini integration to give strict guidelines about how you want them to represent you in any automated copy. So being really careful about the setup matters.

**Elisabeth:** And then look at the interplay of how your overall account is being impacted rather than just the campaign you turned it on for, because things flow between campaigns. A lot of the stats that Google gives are just looking at that individual campaign and seeing all this 'incremental gain,' when it turns out it actually just pulled from another campaign or broad match. Look at the bigger picture to see if it's truly incremental to the business before deciding how aggressive you want to be.

**Elisabeth:** All that being said, at some point you're going to have to test into it. Google's already made it very clear that in the next few months, dynamic search ad (DSA) campaigns are being sunset and AI Max will be replacing them. So we're transitioning our accounts using AI Max instead so that we're able to get through learnings and adjust the setup prior to that sunset in September, rather than being forced into migration in the fall when it's going to be a lot bumpier.

**Gavin:** That's an important announcement for all the SMBs out there: get these campaigns testing before September. What was the first setting you'd recommend starting with?

**Elisabeth:** Search term expansion.

**Gavin:** Search term expansion for that first step. Perfect.

**Elisabeth:** Yes, but for the DSA piece, it leverages the other settings based on the content of your site. DSAs haven't been upgraded in a really long time, so shifting over to a finely tuned product should be additive. The keyword campaign level expansion into AI Max is where we should be much more intentional and look at it strategically before rolling it through.

**Gavin:** Got it. These are gold tips and directionally specific insights. This is why we bring you on! Thank you for joining, Elisabeth. Don't be a stranger; you're welcome back anytime.

**Elisabeth:** I would happily return.

**Gavin:** Big shout out to Elisabeth for joining. Search strategy is evolving quickly as more automation gets inserted. I highly recommend for any marketer to stay informed, which is a great transition to today's deep dive with LP Chief Product Officer David Johnson. We cover the changing relationship between automation and search, how brands stay competitive, and the shifts advertisers should prepare for ahead. Let's head into the lab.

**Gavin:** I'm joined today by David Johnson. David, to kick things off, what's been keeping you up at night?

**David:** Wow. Outside of the copious amounts of caffeine and espresso intake—because that certainly contributes to it—I think about how emerging technology is going to change the world, and when that is going to happen. Things are moving so quickly that it's hard to keep up and can feel a little overwhelming.

**David:** I have an icebreaker question I think about a lot: If you or I stopped adopting any new technology today and said we won't use anything invented past this point, how long will it take before you are viewed by the rest of society like an Amish person? Just completely living in the past? I think it's somewhere between 10 and 20 years, and these days it might be even less. For

instance, with Full Self-Driving (FSD), you might not even be legally allowed to manually drive in 20 years if you don't have an automated vehicle. So that keeps me up at night.

**Gavin:** No, it makes sense. One of the nice things about having an engaging career, though, is that we can shift our thoughts from those big existential questions and get granular for clients in digital marketing. I wanted to talk to you about data—specifically how brands in 2026 and beyond should be using data to improve performance, and how LP is using it. How are brands using data differently now compared to a few years ago?

**David:** There's a lot more creative-based data that brands are looking at, where tracking has become sophisticated enough through multi-touch attribution to see the entire purchase path. You can see what creative they engaged with, and there are even ways to attribute Connected TV (CTV) ads to the consumer. Historically, you threw an ad on TV, hoped someone watched it, and looked for a vague sales uptick the following week. It was a shot in the dark, whereas now advertisers use sophisticated third-party analytics to hone in on exactly who their consumers are demographically.

**David:** Understanding what influences your audience dictates your strategy. If your clientele is on the younger side, platforms like TikTok are gaining massive adoption. If they are older, you make sure to run Microsoft ads, because they often don't change their default web browser! Beyond demographics, we see clients running sophisticated on-site A/B testing—not just for button colors, but finding where to trigger free shipping thresholds, or pulling COGS directly into their data to track total margin as operational costs rise.

**David:** The only way to know if your customer base cares about paying for shipping is to test it. We are also gathering data around price elasticity due to tariffs and inflation. It all comes down to accurate tracking. If you don't have that baseline established, everything else is guesswork; it's like building a house without a foundation. It is wild how messy tracking still is for many merchants until it gets cleaned up.

**Gavin:** What would be some examples of the tech you'd recommend for a brand to accomplish that?

**David:** Right now we're running tests with a vendor called IntelliGems, and their A/B testing is unbelievably sophisticated. You can run a simple 50/50 split, or isolate users coming from specific channels like organic and direct, paid social, or specific landing page URLs. We are testing it on Shopify right now to find the exact threshold for shipping costs and price points. You can test free gifts, buy-one-get-one offers, or whatever you want, as long as you gather enough data to take action.

**Gavin:** What would those actions look like? Allocation?

**David:** Yeah, it could mean price changes, shipping threshold adjustments, or doing absolutely nothing. Even if a test fails to prove your hypothesis, it's still a good test because you learned something. People often say, 'We've done it this way for ten years and don't know why.' There's a great quote: 'Traditions are just solutions to problems we forgot about.' You have to test to get the answer. Don't be married to your baseline assumptions because data will often prove your ego completely wrong.

**David:** There's a quote I love: 'The data will tell you anything you want if you torture it long enough.' You have to be careful not to manipulate it to fit a bias. We see this as an agency too. Another major shift is that brands are much more aware of their Ideal Customer Profile (ICP). Years ago, online merchants would say their ideal customer was 'anyone who buys my product.' Now, knowing exactly who they are dictates what platforms you use, your creative design, and your CTV targeting.

**David:** For example, I was talking to a client who got rid of free shipping and made all low-price products final sale. You'd think their revenue would drop, but testing revealed they didn't want those price-conscious customers anyway. Those buyers had incredibly high return rates that ate up margins and caused operational issues, whereas the core customers didn't care about shipping, kept the items, and yielded a much higher lifetime value (LTV). Their brand grew by intentionally eliminating an unprofitable customer segment based entirely on data.

**Gavin:** Which is totally counterintuitive to the old mindset of wanting everyone to buy, but data exposes those hidden costs.

**David:** Exactly. The answers to your challenges are often right in front of you if you're willing to explore without bias. At LP, we use our aggregated data across thousands of clients to identify macro trends and missed opportunities. We can look at a vertical, see what's succeeding for certain brands, and confidently recommend those strategies to others without exposing any private data. We also monitor total revenue share so if a client's organic revenue drops 50% year-over-year, our system alerts us automatically so we can proactively advise them.

**David:** Having this data scale is massive during Q4 peak season like Cyber Week (the 'Turkey 5'). We can spot macro buying patterns in real time. For example, during the last peak season, we noticed Saturday and Sunday performance was abnormally massive. We saw the trend early and told our team to lean in and push budgets immediately. Thanksgiving has also become a massive shopping day; the old two-day peak of Black Friday and Cyber Monday has flattened out across all five days, and catching that early lets us optimize instantly.

**Gavin:** With our client count, we have scale and vertical insights that basically nobody else has access to.

**David:** Absolutely, whether it's e-com, lead gen, or B2B. That's the core benefit of an agency: data-backed decisions instead of rare, unreliable gut feelings. The more clean data you have, the more proactive you can be. I'd love to come back and share more internal data findings whenever you want.

**Gavin:** The chair is open anytime, David! Thanks for coming on. To our listeners, keep testing, keep learning, and don't be afraid to lean into what's next. Subscribe on Apple, Spotify, and check out the AdLib playlist on the Logical Position YouTube channel. Follow us on Instagram @AdLibPod for clips. That's a wrap on season one. See you June 16th for season two!