



How to Cross-Sell and Upsell to Boost Margins in Online Retail



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Introduction

The biggest mistake marketers and business owners make is focusing solely on top of funnel (ToFu) actions.

They think that if they can simply drive more customers into the start of their funnel then they're bound to eventually see an increase in revenue.

Sure, the logic behind this rings true. The more leads you have, the more opportunities to drive the sale. However, it's hardly an effective method for increasing revenue.

Optimising for ToFu isn't the most beneficial use of your time. You know very little about those potential customers and, if we're being honest, they're going to follow your PPC links or sign up to your lead magnet download through fleeting interest or simply because they want the freebie you're offering.

Consumer actions at the top of the funnel are rarely a good indicator of a consumer's long term purchase intent.

The most effective method for increasing revenue is to focus on those already invested in your brand. To convince them that there's a real benefit in purchasing a complementary product or in upgrading to the next service/product level.

Focus on the Bottom of the Funnel

We don't need to tell you how difficult it is to convince a new prospect to purchase from you. Studies put the number of first time consumers who don't purchase at 99%. 25% of those will abandon with no intent to return, the other 75% intend to return but rarely do.

It's why optimising ToFu elements isn't the best use of your time. The majority of prospects at the top of your funnel simply have little or no intention to purchase.

But at the bottom of your funnel (BoFu), that's where the qualified prospects are. It's where consumers who love what you do, the products you sell and are ready to purchase them right now hang out. And it's where you'll find the best opportunities for increasing your sale.

You need to capitalise on the strong purchase intent of BoFu consumers by offering them something else that increases the value of their initial product, and the most effective method of achieving this is to implement a cross or upselling campaign that increases each customer's AOV and, of course, your overall revenue.

Both cross and upselling are powerful tactics. They've been implemented by some of the world's foremost eCommerce brands and, according to one Forrester research analyst, account for 10 – 30% of total eCommerce revenue. Amazon alone attributes up to 35% of their revenue to cross selling alone.

But don't let the statistics fool you. Implementing a successful cross or upsell campaign is no easy feat. Get it wrong and you could end up turning more consumers away from your brand.

To help get you off to the best start with cross/upselling we've put this guide together so you know what it takes to implement a campaign your customers will love and have you seeing a month on month increase in revenue.

The Difference Between Cross and Upsell

Cross-selling and upselling are often grouped together for articles and information like this. However, whilst similar in intent, their approach is vastly different.

Upselling is the art of convincing your potential customer to purchase a similar product that is of higher spec instead of purchasing their original selection.

For instance, a customer searching for a Macbook might originally be tempted to purchase the cheapest Macbook model. Apple display the other, more expensive models on the same page in an attempt to elicit an upsell.



13-inch MacBook Pro with Retina display

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The idea is to highlight the benefits of the more expensive model and get your prospect to ditch their initial choice in favour of the advanced selection, which of course has a more beneficial effect on your bottom line.

Cross-selling on the other hand still encourages the prospect to complete their initial purchase. Once a customer has selected a product to purchase, you recommend a complementary product which offers extra value. Of course this also increases AOV and your revenue.

The best example of this can be seen in Amazon's "frequently bought together" section. Those short sections highlight other products that would help the user complete the set or gain extra value from the initial purchase.

Frequently Bought Together



The image shows a promotional banner for a frequently bought together offer. On the left, there is a large image of an Apple Watch with a blue sport band. To its right is a plus sign, followed by a smaller image of a screen protector in its packaging. To the right of the screen protector is another smaller image of the Apple Watch. To the right of these images, the text reads "Total price: £301.94" in red. Below this, there is an orange button that says "Add both to Basket".

Total price: **£301.94**

Add both to Basket

- ✓ **This item:** Apple 42 mm Aluminium Watch with Gold Midnight Blue Sport Band **£295.99**
- ✓ Apple Watch Screen Protector, JETech 2-Pack 42mm Premium Tempered Glass Screen Protector for Apple... **£5.95**

It can be difficult to know which tactic is the best for your business. After all, you want to increase revenue as much as possible with the least amount of hassle.

If it's a straight revenue increase you're after then you'll likely want to look first into upselling existing customers as it's proved to be 20% more effective than cross selling at increasing revenue.

The statistics paint both cross and upselling in a very flattering light. However, knowing they work isn't enough. You need to know how they work and how to optimise your campaigns to get the most out of them.

Understand Your Pairings

This is the mistake that derails many cross and upselling campaigns. Just because you can include a secondary or improved product, doesn't mean you should.

You need to ask yourself two key questions when choosing the products you offer:

1. Does it increase the overall value of the purchase through being useful?
2. Is the product a realistic up or cross sell offering?

Let's put it into perspective and imagine a customer adds a television set to their basket.

They might be interested in a cross-sell recommendation for a surround sound system, blu-ray player or perhaps even an Apple TV. These all increase the value and usefulness of the original product. Offering a garden set, phone charger or football kit isn't going to work because they have nothing to do with the original purchase.

The same goes for upsell. A customer who adds a 28" TV might be tempted to upgrade to a 32", but recommending a huge 50" set isn't going to work because it's too big of an increase.

Understanding the pairings your customers want, need and will respond to is no easy feat. It's going to take a lot of work to figure everything out.

YOU MAY ALSO LIKE

 <p>ZENO Oak folding garden stool</p>			 <p>30% OFF</p>
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<p>£155.00</p>	<p>£215.00</p>	<p>£30.00</p>	

An example from Habitat. After adding a folding garden table to your basket they offer cross-recommendations of stools and chairs as well as an upsell recommendation of a table and chair combo.

You can either spend a long time brainstorming the various pairings you think would work and test the best combinations, or implement something like Amazon's "other customers also purchased" recommendations.

Be Reasonable

This goes hand in hand with understanding your pairings. They're two sides to the same coin.

When making your product recommendations you need to make sure they're reasonable for the customer.

If you're making an unreasonable recommendation you're not only going to come across as a business who doesn't know their business but you run the risk of damaging your reputation.

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For example: Coffee beans would be a reasonable recommendation for someone purchasing a coffee machine.

The beans not only offer value by allowing the user to immediately use the machine when they receive it, but they're also at the right price point. Increasing a £200 spend by £10 is a reasonable expectation on your part.

However, trying to cross sell a coffee machine to a customer who purchases beans isn't reasonable. The customer likely already has a coffee machine if they're purchasing beans. And every sane person would balk at the idea of paying a further £200 on an initial £10 purchase.

Whilst the pairings definitely are related, the suggestion is anything but reasonable in the second example.

Be certain that your pairings are not only relevant, but also reasonable.

Limit Your Recommendations

The paradox of choice is an interesting phenomenon, especially when it comes to eCommerce.

There's a temptation to offer as many product recommendations as possible when cross or up selling. Some eCommerce managers believe that the more options they provide, the more opportunities there are to sell.

However, according to psychologist Barry Schwartz, the more options a consumer is given, the less likely they are to follow through with their purchase.

When customers are presented with an overwhelming selection of products they suffer from something called analysis paralysis. In their quest to find the perfect product they'll compare every single aspect of each offering.

Eventually the cost of weighing up the pros and cons outweighs the benefits of actually purchasing the product itself and the customer will abandon their purchase thanks to being utterly confused.

It's the same reason nearly every brand that offers a tiered service product only offers it in three tiers. With a handful of options customers can quickly and easily choose the perfect product or service level for them.

Take a leaf from Amazon's book and limit your product recommendations to between three and five for cross product recommendations and one to three for upselling options.

Bundle Up

The key differentiator between a successful and unsuccessful campaign is in how useful it is to the customer. You need to help the customer win.

Realistic and reasonable pairings are a good way to offer the best value for money, however, you should also look at whether you can increase the value by offering a bundle.

Bundles are great for both customer and retailer. They offer the highest amount of value for the customer, but also increase the average order value more so than a regular cross sell recommendation.

Bundling your items follows the same guidelines as a regular cross sell campaign, the only difference is in the number of items you recommend.

For instance, a purchase of a camera might see success with a recommendation of a tripod as well.

A bundle would take this recommendation to the next level by also recommending a new lens, memory card or other related, useful product.

By bundling everything together in one handy package for your consumers, you're effectively increasing the overall value, mitigating the possibility for analysis paralysis and increasing your own revenue gains.

Leverage All Channels

More often than not, cross sell or upsell campaigns are implemented at the checkout stage. Brands wait until the prospect is all but ready to click the purchase button before hitting the prospect with a potential replacement or complementary product.

This is a good tactic as it strikes while the iron is hot. However, it shouldn't be the only method you employ.

Sometimes a user isn't ready to increase their spend, they need a little time to play around with the product to really ensure that the recommended cross product or improved item will be worth the cash.

You need to continue to follow up with your paying customers even after they've completed their purchase.

You should try to leverage as many channels as possible to bring about another sale or an increase in AOV. Below are a few examples of how you can complement your cross/upselling at the checkout campaign:

- Implement an automated email series that checks in with the customer and pitches another useful product a few days to two weeks after the purchase
- Implement app notifications to gather a review before pitching the next product
- Use the good old fashioned phone to call and ask if they need any assistance or would be interested in a secondary product

When it comes to promotion you can never do enough. Sometimes emails are missed, banner recommendations overlooked and phone notifications go unnoticed.

Make sure you're leveraging all the right channels so your consumers have the best chance at finding out exactly what product is best suited to their needs.

Cross and Upsells Can Be Incredibly Powerful

How you implement each of these steps in your wider campaign will obviously depend heavily on your product and business.

For the greatest levels of success you're going to need to first and foremost understand your audience along with the item pairings that are most useful for them.

Once you've tested and optimised the groupings of your products the next step is ensuring you target your customers at the right time, on the right channel.

Use cross-selling and upselling correctly and the result will be win-win:

You'll boost your margins while also giving your customers the opportunity to find the exact products they're after.

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