



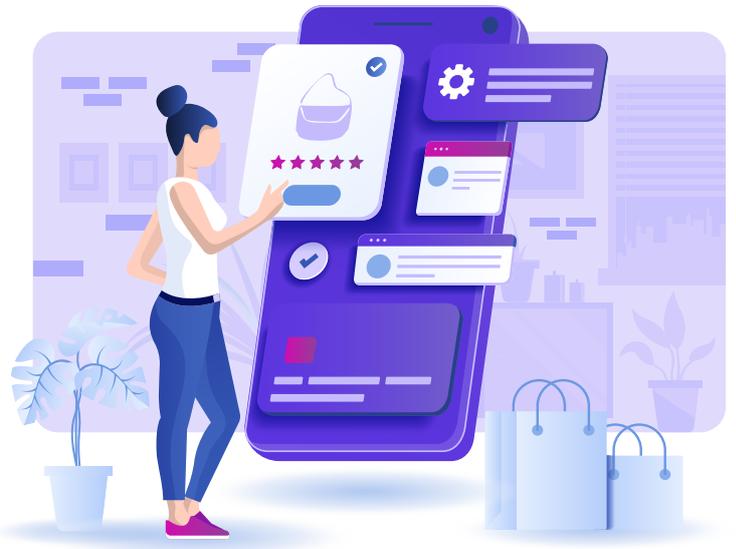
# THE IMPORTANCE OF CROSS-SELLING IN E-COMMERCE



Even if an e-commerce store runner knows about cross-selling, it tends to wind up on the back-burner. Especially in the startup and growth phases of a new e-commerce website, cross-selling tends to get lost in the shuffle.

That's a shame, because these stores leave a lot of money on the table. 35up has helped dozens of e-commerce stores achieve higher revenue—as many as 21% of customers who buy additional products, all through the magic of cross-selling.





## WHAT IS CROSS-SELLING?

**Cross-selling** is the act of convincing a customer to **buy an additional item** once they have already made the decision to purchase one item.

The classic cross-sell is “Would you like fries with that?” A customer at McDonalds steps up to the counter with the intention to buy a hamburger, but that one simple question — which every McDonalds employee is trained to ask — might tempt them to buy another product, french fries.

Cross-selling procrastinators should take comfort in the knowledge that this classic question was not always a part of the McDonald’s business model. However, by adding this cross-sell, McDonalds experienced a quantum

leap in profitability. It helped that fries were a much higher-margin product than hamburgers.

Cross-selling is now an integral part of the e-commerce game. Think about the last time you shopped online. On the product page, on the checkout page, there’s always a little sidebar advertisement that says “Customers who bought this item also bought this item ...” Maybe you were tempted. Maybe you even bought the secondary item. Cross-selling in action!

# CROSS-SELLING VS. UPSELLING



*People often conflate or even confuse cross-selling with upselling, but they are two very different strategies.*

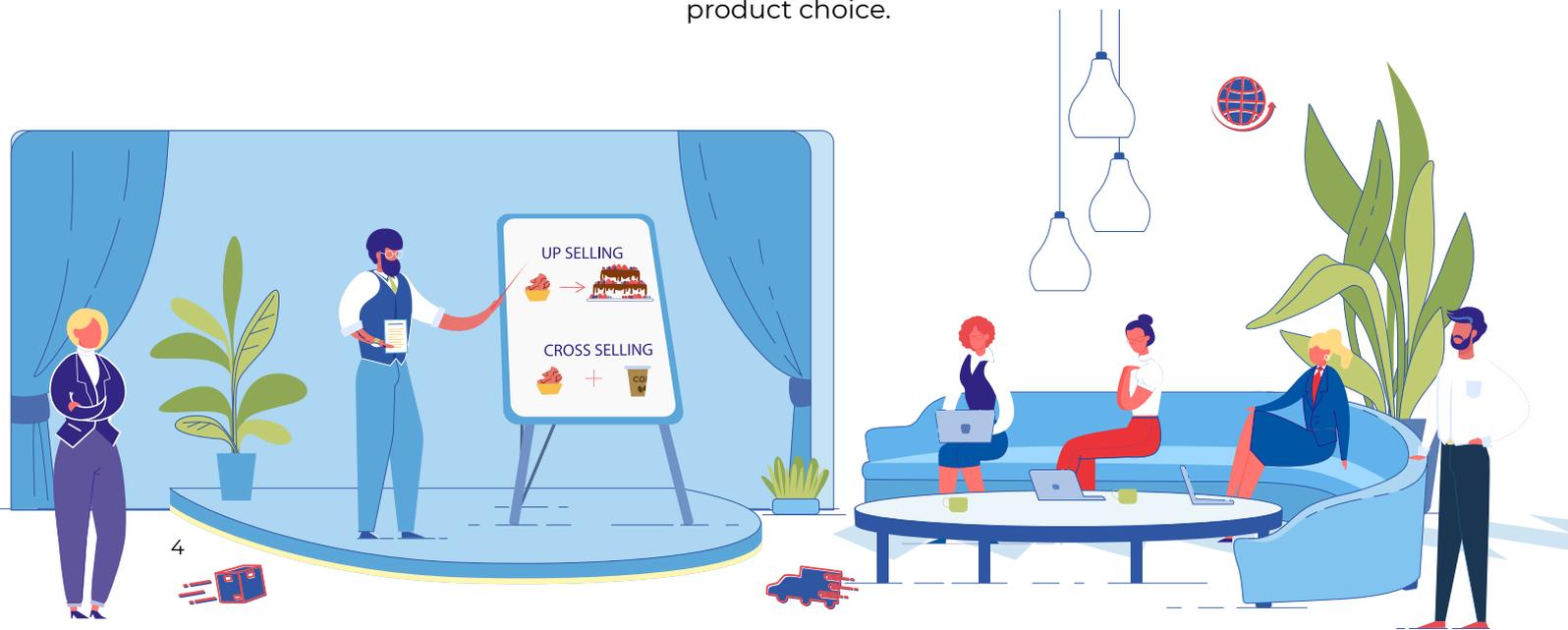
**Upselling** is a strategy whereby the merchant attempts to get the customer to buy a more expensive version of the product they just bought.

Think of a car salesperson speaking to a couple who wants the basic model. He might try to convince them to buy a car with the premium package and trim.

Or a customer at an electronics store shopping for a basic laptop computer. The salesperson asks the customer about her computing needs, and then proposes that a more powerful computer might be appropriate.

Online, an upsell might be a suggestion that a customer buy more of a consumable product — three extra bottles of window cleaner when they purchase one, for example. Or, the upsell page of a web funnel might pitch a more expensive version of a service — one-on-one coaching after the customer has already purchased group coaching, for example.

**Cross-selling** is also a strategy to get the customer to place a larger order than they originally intended — but by encouraging them to buy another item, not replace their initial product choice with a more expensive product choice.



# WHY IS CROSS-SELLING IMPORTANT TO E-COMMERCE STORES?



*Cross-selling is the secret sauce of e-commerce domination.*



Consider Amazon, the **900-pound gorilla** of the e-commerce world. According to a 2006 report (Forbes), Amazon claimed that **35% of its revenue** was driven by cross-sales.

## How does cross-selling do this?

Consider the following three effects of great cross-selling:



### Cross-Selling Increases Order Size

Successful cross-selling results in customers placing larger orders, which results in increased revenue without increased shipping costs. Data from 35up shows that 5-21% of customers add a cross-selling item to their basket, depending on the price of the main product.



### Cross-Selling Increases Customer Lifetime Value

This is related to the increased order size, but it has even greater implications. **Customer lifetime value (CLV)** is the amount of revenue a customer can be expected to spend over the course of their entire relationship with the business. Not just the first cart, but every repeat purchase.

Most businesses know this, but it bears repeating — it is much easier to sell to a past or current customer than it is to close a brand-new customer. Research (Invesp) shows that vendors close 60-70% of their repeat or returning customers, vs. 5%-20% of new prospects who have never purchased from them before.

It costs a certain amount of marketing money to attract a new customer. If that customer can be expected to spend more over the course of their relationship, that means that a company can afford to spend more marketing dollars to acquire that customer, as compared to a competitor with a lower CLV.

Cross-selling doesn't just increase revenue — it gives an e-commerce store an unfair advantage over competitors by enabling them to spend more on marketing while still remaining profitable.



### Cross-Selling Improves Customer Experience

No business succeeds without providing an excellent customer experience. Cross-selling enhances the customer experience by opening their eyes to new products that they may not have considered before — products that might complement or enhance their enjoyment of their initial purchase.

If customers come to regard your e-commerce store as a source of useful purchase suggestions, they are more likely to become loyal, repeat customers and sources of referral business.



# HOW SHOULD I DECIDE WHAT TO CROSS-SELL?

Once you decide to adopt cross-selling as a revenue-boosting strategy for your e-commerce store, you're left with an obvious question — “Which product should I use as a cross-sell?”

## Related Products

A related product is a product that a merchant might reasonably assume a customer would be interested in, based on their initial purchase. For example, if the customer is buying a child's toy, the merchant might attempt to cross-sell another toy — ideally one meant for a child of the same age and gender.

## Complementary Products

Complementary products can create even better cross-sell opportunities than related products. A complementary product enhances or augments the experience of owning the initial product. In other words, it makes the product more useful, enjoyable, or both.

For example, if a customer purchases a mobile phone, the merchant might cross-sell a protector case or screen film. If a customer buys an artist's sketch pad, the merchant might cross-sell artistic pencils. If a customer buys a Dutch oven, the merchant might cross-sell a cookbook of popular Dutch oven recipes.

In a way, complementary products are similar to related products. Because the customer wants one product, you can deduce that they would be interested in its complement. Complementary products make exciting cross-sell opportunities, though, because they represent a chance to improve the customer experience and expose them to products they might not have been aware of.

## Product Price

How much should your cross-sell product cost? The short answer is “less than the primary product.” If you were to try and get them to buy a more expensive product in lieu of the first product, that would be an upsell, not a cross-sell.

Put yourself in the customer's shoes. The customer has already decided to spend a certain amount of money at your store. With a small push, they might spend a little more ... but only a little.

Trying to sell them a more expensive product means they will spend more than double what they intended to spend. That's a much different sales process. The ideal cross-sell is so reasonably priced that the customer feels little or no pain when they impulsively add it to the cart.

# WHEN IN THE CUSTOMER JOURNEY SHOULD I CROSS-SELL?



Once you select your cross-sell products to pair with the primary products, you must decide where in the buyer's journey the cross-sell will happen.

You have two major choices, both of them with strengths and weaknesses. In many cases, the price of the cross-sell product will determine where in the funnel to place it

## Product Page

You can — and should — include cross-selling opportunities on your product pages. The upside of a product page cross-sell is that you can often sell more expensive products this way — between 10-50% of the original product price.

However, conversions will be lower. Remember, a customer inspecting a product page isn't sold yet. Prospects have a much higher buying temperature on the checkout page.

## Checkout Page

Once a customer has arrived at the checkout page, they are ready to buy. Whereas average ecommerce conversion rates hover around 3%, from the checkout page it shoots up to 30%. A sizable chunk of your prospects who make it to the checkout page will complete the purchase. What better time to strike while the iron is hot? Goose that order total up with a strategic cross-sell?

The downside of a checkout page cross-sell is that you will get the best results with less-expensive products — the cheaper, the better.

Think of the candy bars and soft drinks sold at end-caps in the checkout lines of nearly every retail store. They are trying to get you to make a small, impulsive, last-minute purchase.

Same deal here — we want to encourage the customer to make an impulsive last-minute purchase that they barely even feel in their pocketbook.

# HOW DO I CROSS-SELL?



**Once you have decided what to cross-sell and when in the buyer's journey, it's time to think about how you will structure the pitch. Two tactics will be familiar to any e-commerce shopper — suggesting products and bundling products.**

## Suggest Products

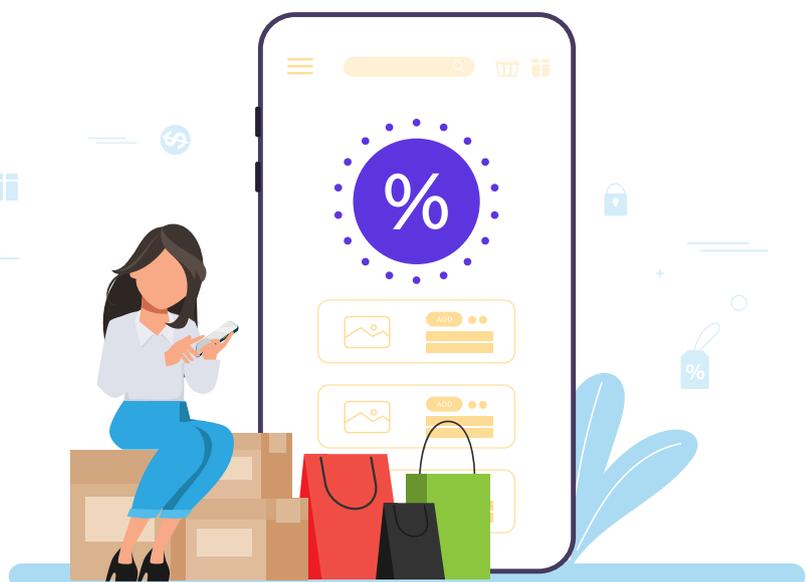
Product suggestions can appear in small sections or sidebars at strategic locations within the product page or checkout page. The goal is to get the customer to take a separate action in adding the item to the shopping cart before checkout is complete.

A suggested product usually appears under a well-chosen slogan, which prepares the customer for the cross-sell without coming across as too pushy. Examples you might be familiar with from other e-commerce stores include:

- Frequently bought together ...
- Customers who bought this also bought ...
- You may also like ...
- Shop the look (for apparel)

## Bundle Products

Product bundles attempt to hook customers with the cross-sell earlier in the process. Instead of selling the two products separately, you sell them as a “bundle” — two products within one product page, sold at a higher price. The goal is to get the customer to add the bundle to the cart, effectively cross-selling in one step instead of two.



# CROSS-SELLING BEST PRACTICES



**Cross-selling is deceptively simple. The principle is easy to implement, but it takes practice and attention to nuance in order to get it right. Here are some best practices to consider when crafting your cross-selling strategy.**

## Put the Customer Experience First

While the goal is to make more money and a more profitable store, this should never come at the expense of the customer experience.

Remember, only happy customers become repeat customers. It is much easier to sell to a former customer, and the higher your customer lifetime value, the more you can afford to spend to acquire that customer, giving you a key competitive advantage.

So always put the customer first. How does the cross-sell benefit the customer and add value to the shopping experience?

## Don't Be Too Pushy

Buyers want to be in control — or at least feel like they are in control, even as you march them down a carefully regimented customer journey. It's best, therefore, to take your foot off the gas a little. Save the high-pressure hard closes for your upsells (we described the difference above).

The goal of a cross-sell is to simply present the opportunity. Don't push. Refer to the previous section ("How do I cross-sell?") for time-tested examples of how to frame your cross-sell presentations.



### Start With Your Best-Selling Products

We have discussed how to select products to cross-sell, but not which products to start with — Product #1 in the two-product cross-sell stack.

The simplest answer is to build your first cross-sell around your best-selling product. This makes mathematical sense. If you cross-sell with the product that people buy the most frequently, it gives you the most opportunities to increase the size of a cart.

Once your first cross-sell begins to pay off, move on to the runner-up seller. Keep going until every product has a cross-sell, implementing lessons you learn on the way to flatten the learning curve and achieve results more quickly.

### Use High-Quality Visuals

Your cross-sells may not visually dominate the page like the primary product, but that does not mean you can scrimp on its visual impact. Use the highest-quality imagery you have access to in your cross-sell presentations. If the product does not look appealing, even in its small format, no one will bite. Tempt your customers with attractive imagery.



# CONCLUSION



Cross-selling wasn't invented by e-commerce, but it has carved out an indispensable role in the world of online selling. Giants of e-commerce depend on cross-selling for over a third of their sales. To neglect cross-sales is to leave a massive component of your potential market untapped, severely hindering the ability of your store to make a profit.

35up helps e-commerce websites cross-sell the right way. Our clients have enjoyed up to 21% cross-sell conversion, boosting their revenue, customer lifetime value, and customer satisfaction through the power of cross-selling.

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