Cross Merchandising Online: Maximizing the Opportunity

CROSS MERCHANDISING
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Cross merchandising brings together complementary products in one place for shoppers to consider.

Think S’mores: a single display that includes graham crackers, marshmallows and chocolate bars, triggering impulse purchases and a larger basket size of products sold at a full retail price. Customers appreciate the convenience of having everything in one place. It’s a win-win.

In the physical world of brick and mortar, retailers are limited by time, space and cost to create cross merchandising displays. But in the online world, the opportunity for cross merchandising or better described in the digital world as cross-selling is practically unlimited.

On a retail website, the opportunity for cross-selling can be designed into every product sale – and most online retailers are already doing it. Whenever a single product is clicked on for more information, you’ll often see similar products and complementary products added to the page. This paper will review some of the latest practices and how the leading online retailers are leveraging cross-selling to boost sales.

Programming and maintaining a large retail website for effective cross-selling requires a significant investment and ongoing effort. Is it worth it?

YES!

What the experts are saying:

“35% of Amazon sales were a direct result of cross-sells” – Amazon CEO Jeff Bezos.

“Product recommendations are responsible for an average of 10-30% of e-commerce site revenues” according to Forrester Research analyst Sucharita Mulpuru.

How much extra will a shopper typically spend on a cross-sell?

It varies by category but…

• Some online retailers see even more cross sell potential and cite the 60/60 Rule: 60% of customers will spend 60% more than the product they’re buying.
• Others believe that accessory products suggested for cross-selling should cost 60% less than the product in the cart.

• Some argue when choosing cross-sell products, don't pick items that increase the total order cost by more than 25%. The increased cost may make the customer abandon the order altogether.

Opinions vary, but most agree the opportunity for cross-selling is significant for most online product categories. According to a Forrester study, up-sells and cross-sells account for more than 30% of e-commerce revenue.

**Bundling** – Included in cross-selling is bundling. It’s really the same thing except a bundle of complementary products are offered at a discount. Giving the customer a discount by buying multiple products can significantly boost sales.

**The Cross-Sell Opportunity**

When a user arrives at your site, you have less than 0.3 seconds to impress them. If they decide to buy, the second challenge is to ensure they actually follow through and make a purchase. Cross-selling must be designed to add incremental purchases and avoid causing confusion or irritation that could jeopardize the transaction.

Opportunities to cross-sell online:

1. **Product page** (when a single item is selected)

2. **Shopping cart**

3. **Checkout page** – impulse sales opportunity here, but be careful not to overdo it.

4. **Post checkout/order confirmation page**

5. **Follow-up email** - 5–7 days after your customer's last order, you can schedule a follow-up series of emails that offers product upsell & cross-sell tailored by their bought items.

Before we show examples and discuss best practices, it’s important to consider how your cross-selling strategy may impact your core customers. It's critical to not overdue it to the point where you may lose customers. That is, a short-term sales increase is not worth losing any of your core customers.

**Why?**

• According to Bain and Co., a 5% increase in customer retention can increase a company's profitability by 75%.

• Gartner Group statistics reveal that 80% of your company’s future revenue will come from just 20% of your existing customers.
• The probability of selling to a new prospect is 5%-20%. The probability of selling to an existing customer is 60-70%.

• According to research from Lee Resource Inc: Attracting new customers will cost your company 5 times more than keeping an existing customer.

Keep in mind cross-selling is a strategy to sell related products with what a customer is already buying. These products generally belong to different product categories, but will be complementary in nature. Shoppers are usually looking for the best value for their money. Cross-selling means more value for the customer, while increasing your bottom line.

**Online Retailing Cross Selling Best Practices**

Anyone who buys online has probably experienced cross-selling tactics. Note cross-selling does not include listings of similar products. Those listings are to help a customer find the right product.

Once a customer has singled out a desired product (product page), the opportunity to cross-sell begins. As noted above, first on the product descriptor page, then again when “reviewing cart” and finally at “checkout”.

Let’s start with the product page. Most leading online retailers include cross-selling opportunities when an individual product is displayed.

![Amazon](amazon.png)

When you click on a particular SKU on Amazon, such as a wall mirror, it shows a large image of the mirror with price and related product info. Just below the product information is a row of similar mirror products labeled:

“Customers who viewed this item also viewed”

This row shows competing products (all wall mirrors) and does not show any complementary products. This makes sense since the customer may still be in product search mode and has not made a final product choice.

But at this point Amazon does not know whether the final choice has been made and presents a cross-selling opportunity further down the page:

“Sponsored Products Related to This Item”

This section includes other mirrors and also accessories for cross-selling opportunities (e.g. curtain rods, lights). Amazon can make incremental revenue both from the paid ads and if the customer purchases an accessory product.
When a wall mirror SKU is viewed on the IKEA website, the cross-selling opportunity is listed immediately, described as “Coordinating Products”. In this case, a screw and plug set to hang a wall mirror. Further down the IKEA product page the similar products are listed under “More Wall mirrors”.

Why does IKEA go directly to the cross-sell before showing “like” products? IKEA has a large selection of products, but nothing like the selection Amazon offers, so with fewer product alternatives, IKEA may have found that going directly to the cross-sell boosts incremental sales better than offering them later on the page.

Online grocery shopping presents many opportunities to cross-sell and most grocery online retailers are taking advantage. For example, when you choose a particular cut of “Ground beef” on the Whole Foods website you will see:

**Often bought with:** taco sauce, shells, buns, bacon, tomato sauce

If you click on a similar link on HyVee's website for Ground Beef you’ll see:

**You May Also Like** (19 complementary items are shown)

With any food item, there will likely be dozens of complementary products, but offering too many choices may seem daunting and overwhelming and the shopper might simply ignore. Once the four or five complementary items are identified, it would seem that just showing those items would likely trigger a higher level of incremental sales.

**Online Cross-Selling Examples by Leading E-commerce Retailers**

First we’ll compare how the Apple Mac Mini is sold online by Amazon, Apple and Best Buy. Then we’ll look at how Walmart, Houzz and Wayfair cross sell products related to a wall mirror. We don't have actual sales data to determine which approach works best. It’s likely all of these leading etailers are constantly testing how to best offer complementary products to maximize incremental sales.
Company: Amazon
Product: Apple Mac Mini

With the Mac Mini, Amazon offers two complementary products and shows the total price with no bundle discount. It makes it easy to click and add all three to your Cart or List. Note the MiniU Mount accessory was not offered on the Apple website.

Amazon quickly and clearly shows related items “recommended”, “also shopped for” and “who bought” all together in one small space:

At checkout, Amazon adds a final chance to buy the 4-year warranty:
Company: Apple  
Product: Mac Mini

Apple maintains a clean design even while offering product upgrades. The product image stays in place while the options are scrolled through in a separate box.

In the purchase review page, Apple offers plenty of accessories, but maintains a clean layout:

Accessories are shown on Apple checkout page as well. Note how the high margin AppleCare gets prominent placement and frequently listings.
Company: Best Buy
Product: Apple Mac Mini

On the initial product page for Mac Mini, Best Buy has a button to “Build a Bundle” where you can easily add complementary products. It would be even more compelling to offer a discount with the bundle and label something like “Build a Bundle. Save a Bundle!” Bundle discounts can be complicated to develop and offer in-store, but more easily implemented online.

![Image of Mac Mini product page]

A Mac Mini bundle discount is offered, but only with the three products in this bundle:

![Image of bundle discount]

Checkout:
Best Buy offers one final chance to save $20 by adding Microsoft Office 365 at checkout.

![Image of Office 365 discount]

Your Cart 6 Items
And two closely related accessories at regular price:

Best Buy again offers products “Customers Also Bought”, but at checkout, does this extra window result in enough incremental sales to offset the potential harm in added clutter?

Company: Walmart
Product: Wall mirror

Walmart immediately presents a bundle with savings clearly indicated.
Accessories were shown next (all complementary, not similar products):

Then related products (included similar and related):

Then “Also viewed” (all similar products)

Finally, sponsored links
Company: Houzz
Product: Wall mirror

Like Apple, Houzz freezes product image allowing you to scroll down in the accessories box to the right. It starts with “Related Products” and then “People who liked this also liked…”

Scrolling down further reveals “Visually Similar Products” and “Frequently Bought Together”

Houzz minimizes copy content and maximizes white space to maintain a clean, uncluttered look.

Company: Wayfair
Product: Wall mirror

Wayfair has a unique way of displaying accessory products by including an image of the primary product next to the accessories.
Summary

As online shopping and analytics keep evolving, the potential to boost sales via cross-selling is practically endless. By testing various combinations of product accessories and displaying in a multitude of ways, category managers can compare results to determine an optimal cross-selling strategy.

Category managers must also be cautious about going too far. They need to find the tipping point of initiating a high level of cross-selling to maximize incremental sales, but not to the level of discouraging online shoppers.

Adding a bundle discount for buying multiple products can significantly boost sales. Our research indicates bundle discounts are underutilized and have far greater potential to boost online sales.

Over the past several years, online retailers have enjoyed a high level of growth, but need to remember that brick and mortar retailers still garner over 90% of all retail sales. Plus, Millennials are now the largest segment of the workforce with significant purchasing power and over half of them prefer shopping at brick and mortar stores. But compared to brick and mortar stores, online retailers have a significant edge when it comes to increasing sales via cross-selling – and need to take full advantage.