



Cross selling and upselling eBook.

The sales manager's guide to cross selling
and upselling opportunities

Phocas.
Got data. Get results.

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Sales management.

In this sales manager's guide to cross selling and upselling, we discuss two sales strategies that will help improve your profit margins and expand product range across your sales channel – cross selling and upselling.

Upselling and cross selling are two standard techniques that if used effectively can make a big difference to your bottom line. However, many people do not get it right and often confuse the two terms.

According to Miller Heiman (Cross Selling & Upselling: Uncovering Hidden Opportunities), cross selling and upselling can be explained as:

Cross Selling – making additional relevant solutions available to the buying organisation (i.e. new)

Upselling – converting an initial order into a more profitable order in the way of additional units or a premium version. This doesn't mean selling them something they don't need; it does mean selling your customer more of what they do need.



What is the purpose of cross selling and upselling?

Upselling and cross selling allow you to generate additional sales revenue by encouraging your existing customer base to purchase more or to make more frequent purchases.

The benefits of these approaches:

- Help increase the average deal size = increase in average invoice value.
- Effectively introduce more products and increase range.
- Increase revenue per customer.

Key metrics to analyse:

- 1 Attachment rate = % of invoices that contain product X with product Y** (Eg the number of invoices that contain both hammer and nails is 42 out of 100. The attachment rate is 42%).
- 2 Average number of invoices per month:** Total invoice count divided by number of months.
- 3 Average value per invoice:** total invoice value divided by the total number of invoices.
- 4 Average number of product lines per invoice:** total number product lines ordered divided by the total number of invoices.



The screenshot shows a dashboard titled "Sales KPI's" with a "Focus" button and a "Reset" button. The dashboard displays the following metrics for a rolling 12-month period:

Avg Value/Invoice	Rolling 12 Months	Avg Cost/Invoice	Rolling 12 Months	Avg Lines/Invoice	Avg Qty/Invoice	Margin %	Rolling 12 Months
\$905.79		\$317.52		3	17	22.50%	

Cross selling.

Cross selling typically happens after the original product or service has been sold.

By the end of the sales process, you should be aware of what the customer needs, so that when you recommend additional products and services, they are centered on what the customer wants or perhaps, what they are missing out on.

Cross selling involves more than one type of product that may be beneficial to your customer. The cross selling offer encourages customers to come back at a later time and try something slightly different. For example: an insurance company may also offer car insurance to their home insurance customers.

A Cross Sell offer should:

- 1 Be bundled with relevant products and services (i.e. if you're selling pets you would not try and cross sell a laptop).
- 2 Be simple and direct.
- 3 Offer real value.



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Conducting a cross sell analysis:

A. Using sales data to identify potential cross sell opportunities - Attachment Rates

1. Identify Opportunities

Which products go hand in hand, or which product should be sold with the primary product.

For example, hammer & nails, printer and ink, or electric shaver and lubricant oil. Once you have selected these products you should analyse the sales performance of these pairings – this is usually measured by attachment rate. This will give you a starting point and an indication about the size of the opportunity.

For example, if you are selling 500 hammers a month and only 100 boxes of nails then your attachment rate is quite low. Especially if the ratio should be 1:3 - hammer to boxes of nails. Analyse attachment rate between different customers and accounts.

2. Take Action

Next you should look at the performance across your customer base. Which accounts have a high attachment rate? Which ones aren't attaching anything at all?

From here you will be able to uncover the opportunity which may also be a potential threat – i.e. they are buying hammers from you but the nails are being sourced from another supplier, who may pick up on this and roll out a bundled hammer and nail offer, which could cost you your revenue from hammer sales.

Select those customers that have this gap and hone in on them, putting out an offer targeting this cross-sell opportunity. At the same time, you can set this as an objective for your sales reps to focus on in their upcoming call cycles.

3. Monitor

At the end of each month you can start to gauge how your customers are responding by the shift in their attachment rate.

Perhaps you can incentivise your reps with monthly targets to encourage them to continue cross selling.

Top tip:

Measurement is key. It gives the sales team information on each customer's sales performance and how they are tracking against the priorities for your cross sell campaigns. It's good practice to set up dashboards and scorecards for your sales reps so that they can see where to focus their attention and see what is working and what is not.

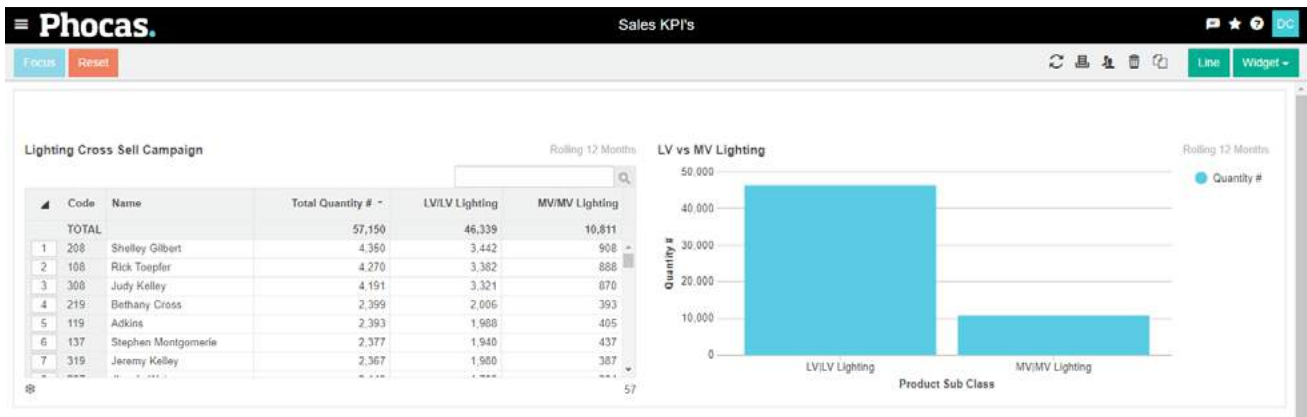


Fig 1. This image is an example of dashboard highlighting particular cross-sell campaign. It highlights the units sales of each product group by sales rep.

B. Core Range review - Gap Analysis

1. Identify Opportunities

Most accounts are often classified by their dollar value or by the product types they buy to help segment the channel.

These different channels may take on different characteristics in terms of sales volume or high-selling products. It is from here that you can identify a core offering that is suited to the channel or industry type and the relevant product mix that makes up a significant portion of your revenue. To uncover these opportunities you should identify gaps in the range for your channel and identify which customers are supporting you for only a few categories instead of the complete range of products their business needs. It is easier to start at a higher level and drill down when looking at your customers – by region or by state.

2. Take Action

Now that you are able to track your different channels against the performance of their respective core range, you should:

- A. Make sure they are in fact carrying the range.
- B. Know who isn't supporting you across each product group.
- C. Know who used to buy from you but have since dropped off on one or more of the product ranges, and are now buying from someone else.
- D. Touch base with these people. It's only a phone call away to win that business back!

3. Monitor

Each month, review the customer's revenue across the core range.

These ranges can be based on product categories, brands, Good-Better-Best range, or a generic and premium brand. The core range may also be applied by account class such as an A,B,C rating or determined by their industry or channel. And measure growth of the new revenue and the number of product lines being order each month.

Top tip:

The easier it is for to slice and dice your data quickly and easily, the more targeted you can be when you execute your campaigns. This will also help prioritise sales & marketing activities and spoon-feed opportunities to your sales force.

The screenshot shows the Phocas software interface. At the top, there's a navigation bar with 'Phocas Sales' and various filters. Below that, a table displays sales data for different customers. The table has columns for 'Code', 'Name', 'Total Quantity #', and several product categories: 'A/Lumination', 'D/Lights & Lamps', 'B/Power', 'C/Controls', and 'E/Outside Lights'. A 'TOTAL' row is at the top of the data, showing a total quantity of 13,318. Below it, individual customer records are listed with their respective quantities and product category counts.

Code	Name	Total Quantity #	A/Lumination	D/Lights & Lamps	B/Power	C/Controls	E/Outside Lights
TOTAL		13,318	7,897	4,589	713	117	2
1	300217 P&W MARINE ENGINEERS Inc	1,088	490	563	35	0	0
2	100499 BJ INDUSTRIAL WELDING SUPPLIES Ltd	1,071	631	415	19	6	0
3	200499 BJ INDUSTRIAL WELDING SUPPLIES LTD	1,038	553	401	36	8	0
4	200513 O'CONNOR PAINT CENTRE LTD	942	508	337	84	13	0
5	300268 Lime Homewares-Bankrupt Inc	842	577	201	49	15	0
6	201012 AUSTRALASIAN DOOR COAT™SOLD™ LTD	831	449	341	36	5	0
7	101012 AUSTRALASIAN DOOR COAT™SOLD™ Ltd	728	396	298	31	3	0
8	100445 A & S WIREWORKS Ltd	724	429	244	27	24	0
9	200845 KENNEDY'S CLASSIC AGED TIMBERS LTD	587	398	148	39	2	0
10	100159 STATE ENGINEERING PTY LTD Ltd	439	301	104	31	3	0
11	200268 Lime Homewares-Bankrupt LTD	435	270	138	27	0	0
12	200565 JMC ENGINEERING LTD	421	231	174	12	4	0
13	300509 STORK AWD PTY LTD Inc	416	223	183	9	0	1
14	300672 IN TOUCH WITH WOOD Inc	407	236	136	33	2	0
15	300770 SOUTHERN RIVER COLLEGE Inc	327	234	66	27	0	0
16	300033 FREMANTLE SCHOOL OF FINE FURNI Inc	310	142	141	27	0	0
17	100902 STACY CONCRETE CONTRACTORS Ltd	268	177	73	18	0	0
18	100770 SOUTHERN RIVER COLLEGE Ltd	267	161	76	30	0	0
19	200902 STACY CONCRETE CONTRACTORS LTD	251	182	51	17	0	1
20	100624 TIMBER CREEK FURNITURE CO Ltd	244	151	79	14	0	0
21	300036 INDUSTRIAL & ENGINEERING SUPPLIES Inc	243	164	66	10	1	0

You need a simple view so that you can spot gaps in your core range and quickly identify where customers are not supporting you across all the product categories suggested.

Upselling.

Upselling is about offering additional products or services that compliment or bring additional value to the product or service that your new client is about to buy.

Someone selling a computer may recommend more RAM or a larger hard drive. This typically happens while the sale is being made.

The basics:

Be focused. When you offer your upsell, you're at a critical moment in the selling process.

Your new client has already agreed to buy one product or service from you. Now you're offering them something extra. There are risks involved with upselling: if you push too much you might lose the entire sale, if you don't offer enough, you may lose out on the extra income.

An upsell offer should:

- Be relevant to your original offer.
- Be valuable to your client.
- Be irresistible to say no to.

Two examples of upsell opportunities:

- 1 Add-on sales.
- 2 Bulk discount.

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Using sales data to identify 'add-on' sales opportunities:

1. Identify Opportunities

On a monthly basis have a look at your customer's sales reports and find all the accounts that are buying the primary product but not the add-on product (which is usually higher in margin and contributes towards profitability). For example, look at customers who are buying hammers but are not buying nails, or buying printers but not the ink.

2. Take Action

To take action for these new upsell opportunities, inform the sales force and prioritise their sales activities.

You will also want to track results as you save the list of customers and measure new revenue attributed to your upsell campaign. As each rep completes their sales call cycle a successful outcome will see your average invoice amount increase and add incremental revenue to your top & bottom line.

3. Monitor

Keep track of those few KPIs that focus on rate of attachment on the invoice.

This is a running percentage that could be published on your dashboard or sales rep scorecard. By keeping it front of mind, the sales rep is more likely to come up with his/her own initiatives and drive the percentage above targeted levels.

Top tip:

The more comprehensive the data you have to analyse, the more information you will need to digest and interrogate. So you will need a tool that is fast, simple to use and extremely flexible – this will allow you uncover new opportunities in a matter of seconds rather than days. You should be able slice and dice through the data yourself and not have to burden IT with a custom report request.

Bulk discount opportunities:

1. Identify Opportunities

On a monthly basis have a look at your customer sales reports and have a look at how many times they are ordering high volume products each month. For instance, you may find that a number of them order 5-10 units each week and creates a new delivery each time. This is an inefficient expense to service since you are paying for the freight charges.

2. Take Action

The cost to service the account can be reduced by getting the customer to order once and take 40 units to cover the monthly run rate. Even better, offer them a discount if they take 50 units.

3. Monitor

At the end of each month you should start to see an improvement in profitability against the account, the average invoice amount and average number of lines per invoice.

Code	Name	Total Quantity #	01-Jul-2017	02-Jul-2017	03-Jul-2017	04-Jul-2017	06-Jul-2017	07-Jul-2017	08-Jul-2017
TOTAL		13,849	1,167	2,951	2,462	2,224	1,964	1,681	1,400
1	100485 Square Stairlight G4 Satin Silver Fixed	2,328	342	608	389	270	241	199	279
2	100398 35mm GU4 Closed 70W 36Amp Lantern MR11	1,574	112	315	219	149	180	323	276
3	110593 Adj Six Spot Multiple Chrome 1Chrome	1,455	184	426	263	281	165	136	0
4	100414 Glass Cast LR MR16 Clear/Frosted/Clear/Floating	1,452	97	302	258	202	201	169	223
5	110591 LED Lantern - Red MR835mm	1,286	131	381	260	251	147	116	0
6	100413 Capsule Lantern GU410W	1,226	105	289	201	176	162	170	123
7	110592 Recess Table light - White LED's LEDSquare	1,211	123	340	233	249	143	123	0
8	110499 LED Lantern - Colour Change MR16 35mm	1,190	3	81	197	259	248	198	204
9	108155 75W Capsule Lantern G6 35	1,087	0	0	233	234	334	106	180
10	110498 - 70mm diameter Holesaw	1,040	70	209	209	153	143	141	115

This image shows a customer order qty's on daily basis for high volume sku's. By analysing their run rate and offering them to take up a bulk order to cover their average monthly unit sales, you could cut out large freight costs. You would incentivise them with a discount, yet still be more profitable.

Top tip:

Track how many times a product is being ordered against each account and analyse that over a period of time in order to come up with an adequate volume to upsell too. The last thing you want to do is stuff your channel full of stock they can't sell.

So, what next?

The first step in identifying up and cross sell opportunities is to analyse the buying patterns and preferences of your customer base segmented by geography and demographics.

This will help you identify your most profitable customers as well as their purchasing preferences. This data may be available on your ERP or CRM system. You will most likely get your sales report from your ERP system in a series of reports or exports into spreadsheets. However, the process can be frustrating when you don't have the right data available and you have to wait for a custom report of query.

Ultimately, you need a tool that can extract and analyse data and is intuitive for your use without help from IT.



About Phocas

Phocas is a provider of award-winning business intelligence software with most of our users in sales & marketing, management, finance and IT. Our software provides them with the solid and dependable information they need to make the right decisions – without having to pester their IT department. By doing so, they can optimise their business performance.

If you would like to speak to someone at Phocas please contact us at www.phocassoftware.com/contact we would be glad to help.

Thanks for reading.

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