

# E-commerce Growth Masterclass

## 03 AOV / General Tactics

**Drew Sanocki**  
**NerdMarketing.com**

# Today

- 1. Where we are**
- 2. The AOV menu**
  - 1. Pricing**
  - 2. Quantities**
  - 3. Bundling**
  - 4. And more!**

# Where we are

# The PE approach

**Three multipliers (F, AOV, C)**

**Increase each 30%, you double revs**

**Start back to front**



ANOV

# #1 Pricing

# SMITH'S 10 RULES



**XL**

Pricing: let's get smart

Robert Smith

Vista Equity Partners

One simple tactic

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Stock Selloff Deepens as Investors Seek Safety



Credit-Card Warning Sends Synchrony Shares Dropping



IEX's Bid to Launch a New Exchange Gets Nod From SEC Staff



Uber to Raise Up to \$2 Billion in Leveraged-Loan Market



STREETW 'Brexit' Investor Denial to

MARKETS

Vista Equity Sets \$10 Billion Upper Limit For New Fund

Vista Equity Partners Fund VI has attracted investor demand in excess of the fund's hard cap



Track cashflow.

Invoice automatically.

Get paid faster.

xero

# Why increase prices?



Because you can!

Most entrepreneurs undervalue  
their products

Demand is more *inelastic* than  
you think



# How to do it?

## **(Easy, right? Well...)**

Testing pricing changes is hard

**Need to test from feeds to product page to checkout to order management system...**

**No great software solutions**

**Some options exist . . .**



## Option A: *time-based* AB test

Choose your highest-volume, proprietary product

— Ex: **A Simpler Time**

Increase price 20%+ on Day 0

Compare total revenue from before and after (e.g., Day -10 to 0 and 0 to 10)

Quicker, easier way to test!



## Option B: *duplicate product* AB test

Choose a high AOV, proprietary product where you are currently driving paid traffic

— Ex: **A Simpler Time**

**Duplicate that product, increase the price 20%+ on the duplicate**

**Duplicate your ad campaigns, direct duplicate campaigns to new product**

**Compare resulting revenue once conversions are **significant****

**GET DATA DRIVEN**

### A/B Significance Test

[Reset form](#)

Did that button color change actually improve your conversions?

[Try Kissmetrics for FREE](#) to get help with running your A/B test and check out our [A/B testing documentation](#). Use this A/B Significance calculator to tell you whether your A/B test is statistically significant. Without this calculator, you can't be confident that the changes you make will improve your conversions.

What's the page view and conversion data for each page in the test?

	The number of visitors on this page was:	The number of overall conversions was:	Conversion rate:
A	1000	90	9%
B	1000	120	12% ✓

✓ **Your results:**  
Test "B" converted **33%** better than Test "A." We are **99%** certain that the changes in Test "B" will improve your conversion rate.  
Your A/B test is statistically significant!

No proprietary product?

MSRPs? Skittish vendors? Channel conflict?

***Make your product proprietary (colors, finishes, SKUs)***

***Try a secret funnel -- only visible to your email list, for example***



# Your turn

## Backlog it:

- 1. Choose a core product for your test**
- 2. Increase price 20%**
- 3. Measure the impact**

# #2 Quantities

# Why increase quantities?

**Because you can!**

**Surprised? Most customers buy more than one**

**Better customer experience**

**Efficiencies of scale (shipping, customer service)**



# Costco

## Turns bulk into billions

## No advertising

## Fee to shop there

## Crappy margins

## \$100B in revenue!


View Warehouse Coupons Find a Warehouse ▾ Get Em

**COSTCO**  
WHOLESALE

Search Costco

Shop All Departments Business Center Pharmacy Services Photo Travel Membership

Home ▸ Grocery, Household & Pet ▸ Household ▸ Toilet Paper ▸ Compare up to 4 p



**Kirkland Signature™ Ultra Soft Bath Tissue 2-ply White 36-count**

Features: Features: 2-Ply, Wide Sheets - 4.5" x 4.0" Sheet size, 231 Sheets per Roll, 36 Rolls per Case, \$.72 per Roll Delivered, Septic Safe

☐ Compare product

★★★★★ 3.8 (9) Write a review

Share This Product: [f](#) [t](#) [p](#) [g+](#) Print this Page

Item #1044434

Your Price **\$25.99**

Price Per ROLL: \$0.722

Shipping & Handling Included\*



# How?

Identify the right products

**Check current average order quantities**

**Greater than 1? Start there.**

— Ex: **A Simpler Time's Pocket Compass**

**Sage it: dishwashers vs. detergent**

Product ?	Quantity ? ↓	Unique Purchases ?	Product Revenue ?	Avg. Price ?	Avg. QTY ?
	21,167 % of Total: 100.00% (21,167)	19,223 % of Total: 100.00% (19,223)	\$1,402,693.00 % of Total: 100.00% (\$1,402,693.00)	\$66.27 Avg for View: \$66.27 (0.00%)	1.10 Avg for View: 1.10 (0.00%)
1. <a href="#">Nameplate/Compass Engraving Charge - Please do not delete this unless you do not want your item engraved</a>	734 (3.47%)	675 (3.51%)	\$11,008.50 (0.78%)	\$15.00	1.09
2. <a href="#">Personalized License Plate Sign (\$6.95 per letter)</a>	492 (2.32%)	60 (0.31%)	\$3,411.00 (0.24%)	\$6.93	8.20
3. <a href="#">Personalized Propeller Logo</a>	295 (1.39%)	293 (1.52%)	\$0.00 (0.00%)	\$0.00	1.01
4. <a href="#">Personalized License Plate Sign (\$5.95 per letter)</a>	291 (1.37%)	35 (0.18%)	\$1,731.45 (0.12%)	\$5.95	8.31
5. <a href="#">Vintage Boat Personalized Lake Cabin Sign</a>	228 (1.08%)	227 (1.18%)	\$20,989.20 (1.50%)	\$92.06	1.00
6. <a href="#">Nurse Practitioner Wood Sign with Personalized Nameboard</a>	215 (1.02%)	215 (1.12%)	\$31,983.20 (2.28%)	\$148.76	1.00
7. <a href="#">70 Inch Mahogany Airplane Propeller</a>	144 (0.68%)	136 (0.71%)	\$27,027.00 (1.93%)	\$187.69	1.06
8. <a href="#">Brass Pocket Compass with Frost Poem</a>	139 (0.66%)	94 (0.49%)	\$3,405.50 (0.24%)	\$24.50	1.48
9. <a href="#">C-130 Hercules Wooden Aviation Triptych</a>	133 (0.63%)	132 (0.69%)	\$30,553.50 (2.18%)	\$229.73	1.01
10. <a href="#">Nickel Porthole Mirror 20"</a>	130 (0.61%)	105 (0.55%)	\$18,850.00 (1.34%)	\$145.00	1.24

# Low-tech

## Coupon on the product page or sitewide rule

online exclusive

# CYBER MONDAY SAVINGS

The *more* you spend, the *merrier* the savings!

**25% Off**  
Your order of \$100 or more

**20% Off**  
Your order of \$75 or more

**15% Off**  
Your order of \$50 or more

Plus,  
**FREE SHIPPING**  
on orders of \$75 or more

CODE: CYBER



High-tech  
The right app

Shopify: **Quantity Breaks**  
Magento use **Tiered Price**



## Hurley Curve Corp 2.0 Hat

Hurley

\$34.99

[+ Add to Cart](#)

[← Previous Product](#)

[Next Product](#)

### Description

This is an example of a product with Quantity Breaks. set it so the customer has to buy the quantity of one product, like this hat, or any product in a group, like all hats on this website!

Everything about the way it looks is 100% customizable

From	Up To	Price
1	1	\$34.99
2	4	\$33.24
5	9	\$31.49
10	or more	\$29.74



# Your turn

## Add to your Backlog:

1. Decide on low- or high-tech approach
2. Choose a core product for your test
3. Configure a basic deal for increased quantities
4. Measure the impact (Compare average AOV from before and after (e.g., Day -10 to 0 and 0 to 10))

# #3 Free shipping

# Why free shipping?



*Free* is incredibly powerful

## Amazon experiment with free shipping

Example: the "Add-on item" program

Take-away: *free* is more powerful than economics would suggest

The screenshot shows the Amazon shopping cart interface. At the top, the Amazon Prime logo is visible, along with a search bar and navigation links. A banner at the top right indicates a sale on Fire devices, ending Saturday. The cart contains one item: "Kiss My Face Natural Kids Orange U Smart Bubble Wash, Bubble Bath and Body Wash, 12 Ounce Bottle" priced at \$5.58. A pink arrow points to the "Add-on Item" button below the item. Another pink arrow points to a message on the right side of the cart: "Add-on Items ship with orders that contain \$25 of items shipped by Amazon. Your Cart currently contains \$5.58 of items shipped by Amazon." The subtotal for the cart is \$5.58. The interface also includes a "Continue Shopping" button and a "Buy It Again" section for a Gaia Herbs product.


amazon Prime

ENDS SATURDAY fire ~~\$49.99~~ \$39.99

Departments Browsing History Andrew's Amazon.com Today's Deals Hello, Andrew Your Account Prime Lists Cart

**Checkout is a Breeze with Easier Rewards**  
Set your Shop with Points credit card to automatically apply available rewards when you checkout [Learn More](#)


**Shopping Cart**

	Price	Quantity
 <b>Kiss My Face Natural Kids Orange U Smart Bubble Wash, Bubble Bath and Body Wash, 12 Ounce Bottle</b> by Kiss My Face In Stock <b>Add-on Item</b> <input type="checkbox"/> This is a gift <a href="#">Learn more</a> <a href="#">Delete</a>   <a href="#">Save for later</a>	<b>\$5.58</b>	1

**Subtotal (1 item): \$5.58**

**Subtotal (1 item): \$5.58**  
☐ This order contains a gift  
[Continue Shopping](#)  
1-Click ordering is not available for at least one item in your order.

**Add-on Items** ship with orders that contain \$25 of items shipped by Amazon. Your Cart currently contains \$5.58 of items shipped by Amazon. [Details](#)

**Buy It Again**  
 Gaia Herbs Sleep and...

# Most retailers . . .

## No-threshold free shipping policy

CRABTREE & EVELYN®

25% OFF SELECT GIFTS, PLUS  
FREE SHIPPING ON ANY ORDER

GIFTS | BATH & BODY | HANDS & FEET | FRAGRANCE | AT HOME | SPECIALS | OUTLET

ENJOY  
**FREE SHIPPING**  
ON ANY ORDER

► SHOP ONLINE

\*Excludes Alaska and Hawaii

**25% OFF**  
SELECT GIFTS  
DISCOUNTED PRICE IS SHOWN  
► SHOP NOW

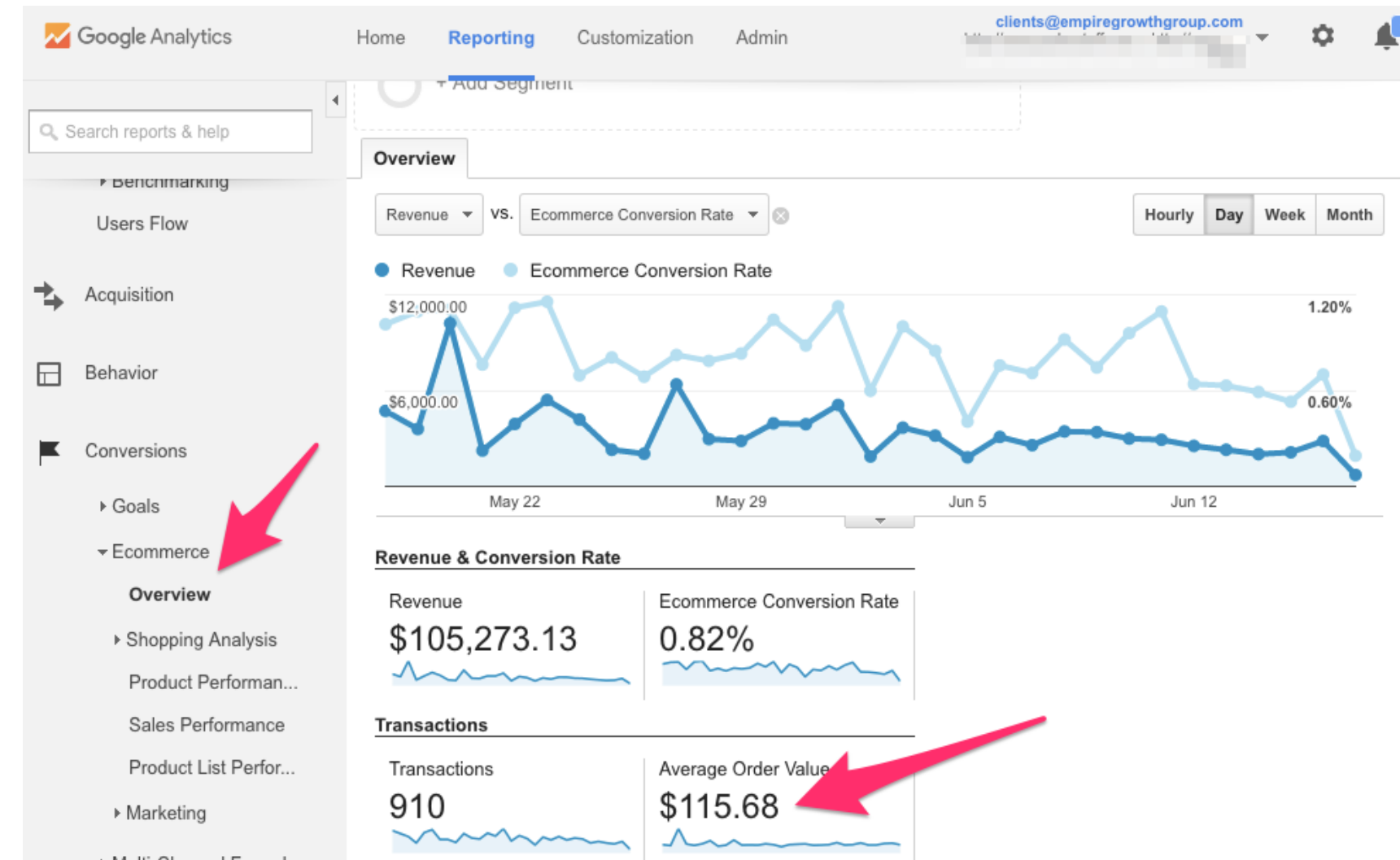


# How do we use it to increase AOV?

Apply free shipping *above* your AOV

**AOV is the average cart**

**Free shipping at (AOV+20%)  
creates incentive to add items to  
cart**



# Quick, easy test that fetched 10% incremental AOV at Karmaloop





## Other benefits to "free" <sup>1</sup>

- 1. Consumers are inclined to *buy more***
- 2. Customers become willing to pay a *higher price* for it later**
- 3. Items increase in value when they're free instead of when they're discounted.**
- 4. Brands can leverage freebies to upsell other goods**
- 5. Recipients are 20% more likely to *spread word-of-mouth***

<sup>1</sup> 2011 report by Kantar Media

Think beyond *free shipping*

Free gift with purchase over \$X

Free express shipping with purchase over \$X

Free implementation call with purchase over \$X

Free gift wrap with purchase over \$X

*free*  
sample-filled train case  
with any \$100 purchase\*

[CLICK TO REDEEM](#)

by designer  
**ERIN**  
erin fetherston

**\$130**  
value

Whimsical with vintage flair, this train case is a sweet confection too delicious to miss.



# Your turn

## Add to your backlog:

1. Find your **AOV** and add 20%
2. Implement free shipping promotions above that threshold

Compare AOV from before and after (e.g., Day -10 to 0 and 0 to 10)



# #4 Bundling

# Why bundle?

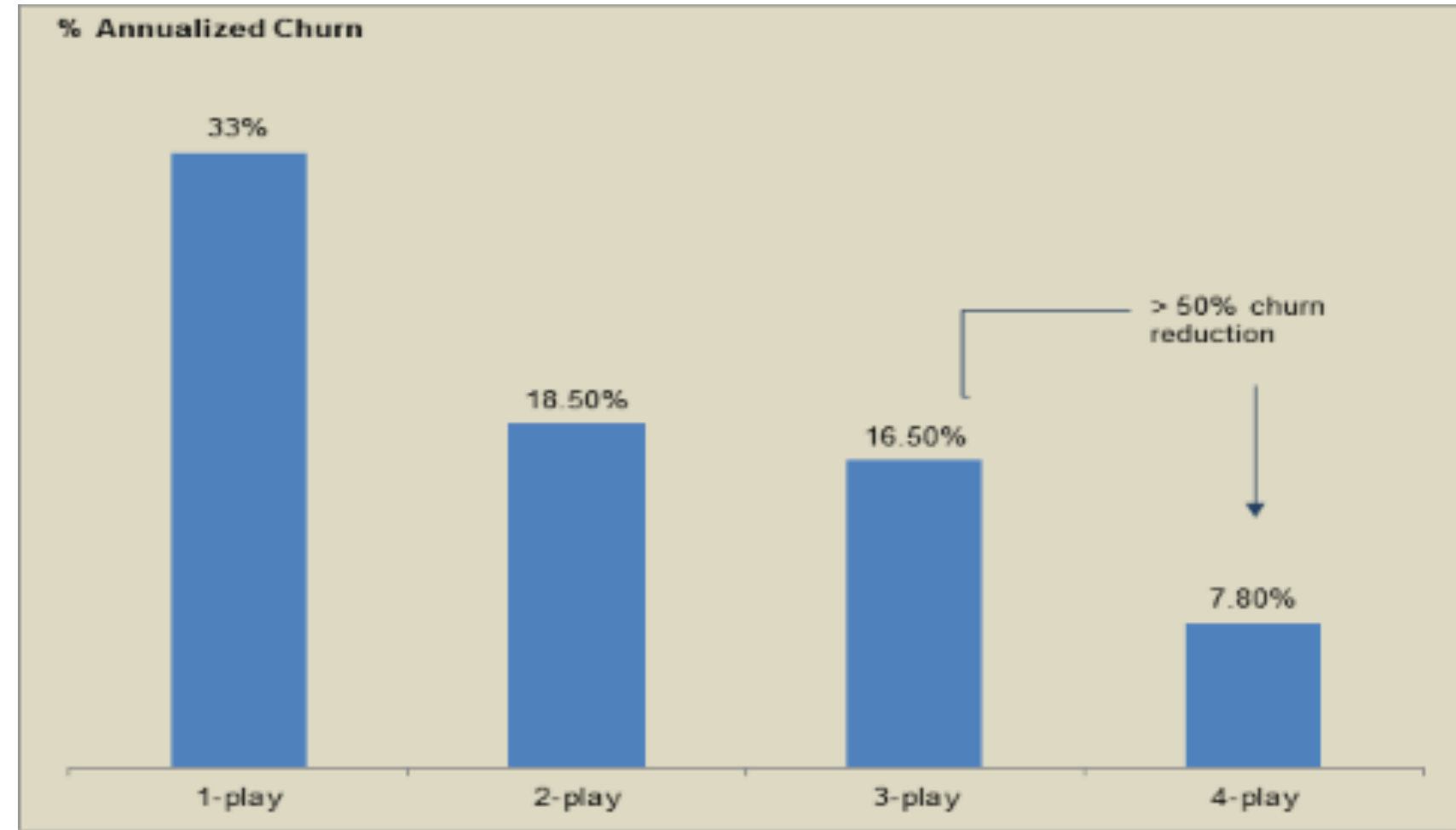
Because you should!

**Bundled pricing less likely to tick off customer**

**Efficiencies of scale (shipping, customer service)**

**Can skirt MSRPs**

**End result: customers often buy more than what they want**



Source: Solon Telecoms White Paper (2011)

**Churn levels among subscribers to different product bundles**

# From McDonalds to Microsoft

The billion-dollar power of product groupings



# How to approach it?



# Easy: think of natural bundles from your offering



# Harder: use data

Administration

Shopper

Shopper

Page: 1000

Total results found: 1570

Contains sampled data: No

[Jump to bottom](#)

Main - All Site Data

View Settings

User Management

Goals

Content Grouping

Filters

Channel Settings

Ecommerce Settings

Ecommerce set-up

1

Enable Ecommerce

Status

Use the Ecommerce developer reference guide to properly set-up the tracking c

ON

Enable Related Products ?

ON

Next step

Cancel

2

Enhanced Ecommerce Settings

Product ID	Related Product ID	Correlation Score	Queried Product Quantity	Related Product
	WH122	1	12	
	RS145	0.85999	18	
	CL185	0.79999	6	
	RSF123	0.57888	15	
	RS145	0.35556	9	
	CH222	0.20015	6	
	WH122	0.01222	6	
	NP676	0.01155	6	
	PG099	0.00059	6	
	TL888	0.00009	11	

**Apps make it easier**

**Shopify app: Product Bundles**

**Woo plugin: Product Bundles and others**

**Magento: out of the box**



Once you create a bundle,  
market it!

Homepage

Newsletter

Related items section on  
product page

At checkout

No7

Narrow your results

No 7

About No7 Lift & Luminate TRIPLE ACTION Serum

Make-up

Skincare

Bath & Body

Suncare

Fake Tan

Men

Accessories

Electrical Beauty

Bundles

Last Chance to Buy

Match Made Service

Inspiration by You

No7 Value Packs


Gifts

No7 Offers

Book an Appointment

Brand

GREAT SAVINGS ON BUNDLES




Sort by


Best match

Items per page: 12 | 48 | All


1 | 2 >



No7 Youthful Duo Value Pack



No7 Men Anti Ageing bundle



Special Value Only  
£154  
£23.50

No7 High Shine Lip Crayon Collection

CXL  
institute

45

# Other benefits

It's not just AOV . . .

1. Improve the customer experience (esp. when editable)
2. Mitigate decision exhaustion (conversion rate?)
3. Supplement customer feedback (which bundles work?)

HOME / HAIR LOSS BUNDLE



MORE VIEWS



## HAIR LOSS BUNDLE

\$54.95

IN STOCK

This Skin & Coat Issue Bundle includes:

- 1 - 16oz of Tar & Sulphur Shampoo (Not safe for cats)
- 1 - 16oz of Aloe Re-Moisturizer (must follow with a conditioner)
- 1 - Rubber Curry (Soft)
- 1 - Super Absorbent Towel
- 1 - 16oz Mixing Bottle

By bundling you are saving 15%

Learn how to use these products under the page Articles - Skin and Coat Issues - then click on the link: Hair Loss  
It is also important to brush and comb your pet in between baths. Under the Brush and Comb category you can pick products that match your dog's coat type.  
Please contact us if you have any questions, toll free: 866-266-2543 or local: 204-487-3908

Qty:

1

ADD TO CART



# Ex: **A Simpler Time** and Navy Office Bundle

# Your turn

## Backlog it:

1. Think through your offering and target customer
2. Devise 1-2 product bundles for top sellers
3. Implement and measure the impact

**Compare revenue and average AOV from before and after (e.g., Day -10 to 0 and 0 to 10)**

# #5 Other tactics



# Gamification

# Peel sticker, get prize

# Bigger AOV, more stickers

# It works, but harder implementation



# Loyalty programs

**Similar to gamification**

**Tie dollars to points -- incentive to spend more**

**Plenty of apps ([Sweettooth](#))**

**Easy enough but 75% fail -- I'd start elsewhere**

SPEND OVER £100\*



SPEND OVER £150\*





# Financing

**Many ways: installments, Bill Me Later, payment plans**

**Forrester: Bill Me Later drives a 75% lift in AOV<sup>2</sup>**


<sup>2</sup> *The Total Economic Impact of Paypal Express Checkout for Web and Mobile, July 2012*

## GUITAR HACIENDA

**Your order summary**

Descriptions	Amount
Your order from Guitar Hacienda (#4... Item price: \$489.99 Quantity: 1	\$489.99
<b>Item total</b>	<b>\$489.99</b>
<b>Total \$489.99 USD</b>	

**Choose a way to pay**  
PayPal securely processes payments for Revolution Commerce.

**Have a PayPal account?** 

Log in to your account to pay

Email

PayPal password

[Forgot your email address or password?](#)

**Don't have a PayPal account?**

Pay with your debit or credit card as a PayPal guest

[Cancel and return to GUITAR HACIENDA.](#)

Login or Join Paypal

# Price anchoring

Good general practice

Evidence that it increases CR,  
AOV

Esp good for services / SAAS in  
a pricing table

Le Creuset Stoneware 8-Piece Bakeware Set  
\$199.95



Le Creuset Heritage Stoneware Rectangular Bakers, Set of 2

★★★★☆ (4)  
Sugg. Price: \$100  
Our Price: \$80

Le Creuset Stoneware Deep Covered Baker  
★★★★★ (2)



Le Creuset Heritage Stoneware Deep Covered Baker, Set of 2

Sugg. Price: \$140  
Our Price: \$99.95

Le Creuset Heritage Stoneware Oval Gratin  
★★★★☆ (2)



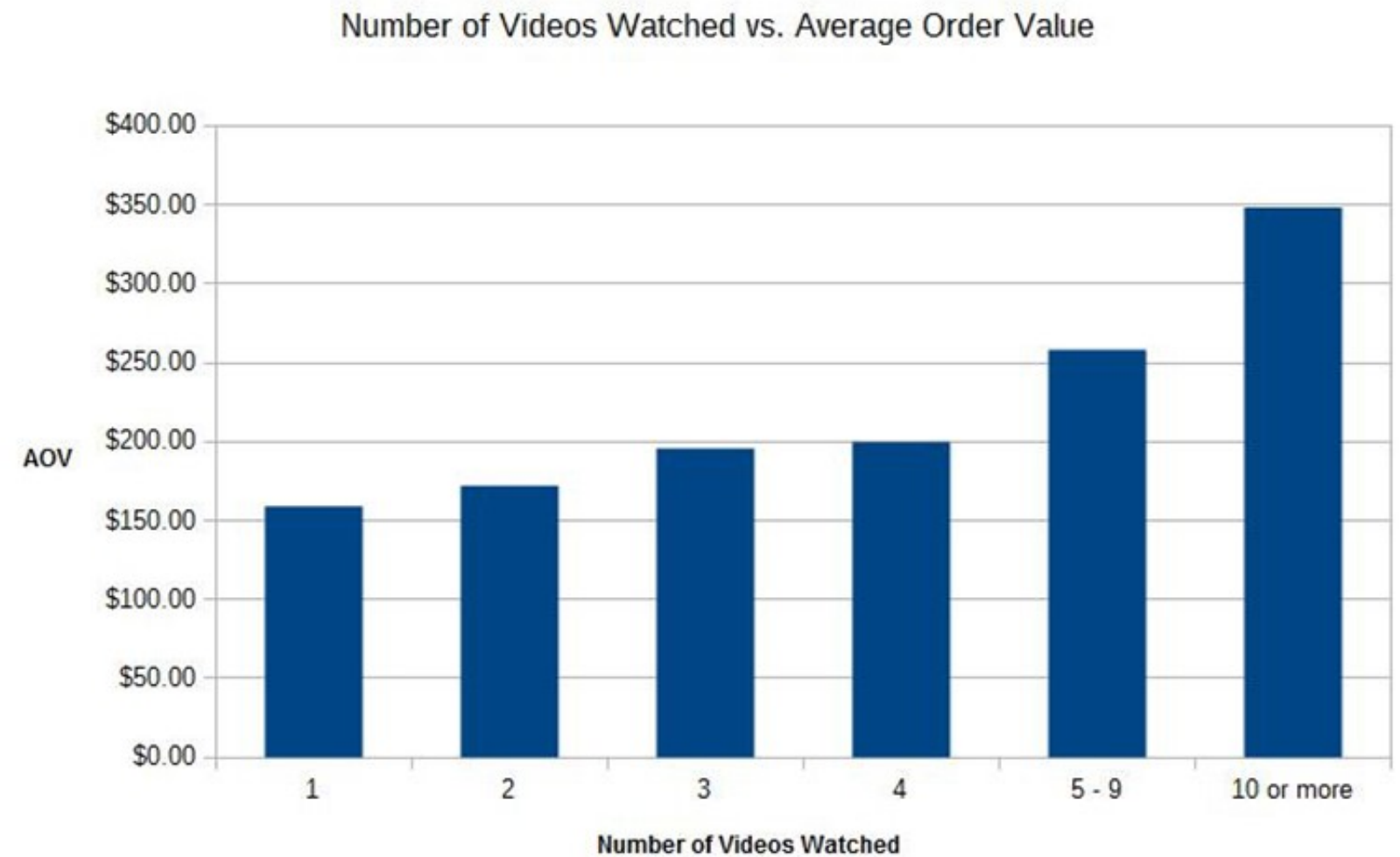
All-Clad Tri-Ply Stainless-Steel Tri-Ply Au Gratin Pan

Sugg. Price: \$195  
Our Price: \$149.95

# "Approachability"

**Want an immediate increase in your AOV? Get an 800# (2 - 5X higher)**

**More videos, higher AOV**



# Let's get smart again...



# Whales and minnows

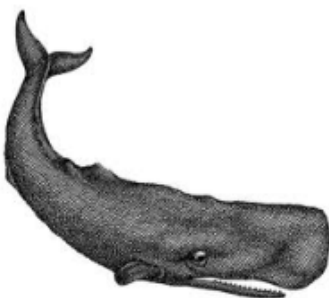
Hidden "secret" of database marketing

Certain customers have higher AOV from get-go

Build your business around them:

- Survey them
- Merchandise for them
- Acquire them
- Retain them

This work will 10X your business



Customer Name	1 <sup>st</sup> Purchase AOV	Total '12 Spend	Transactions in '12	Categories Owned
This Guy*	\$13,723	\$26,854	6	Pants, denim, shirts, suits, knits, shoes, accessories
That Guy*	\$37	\$37	1	Swim

# Whales and minnows

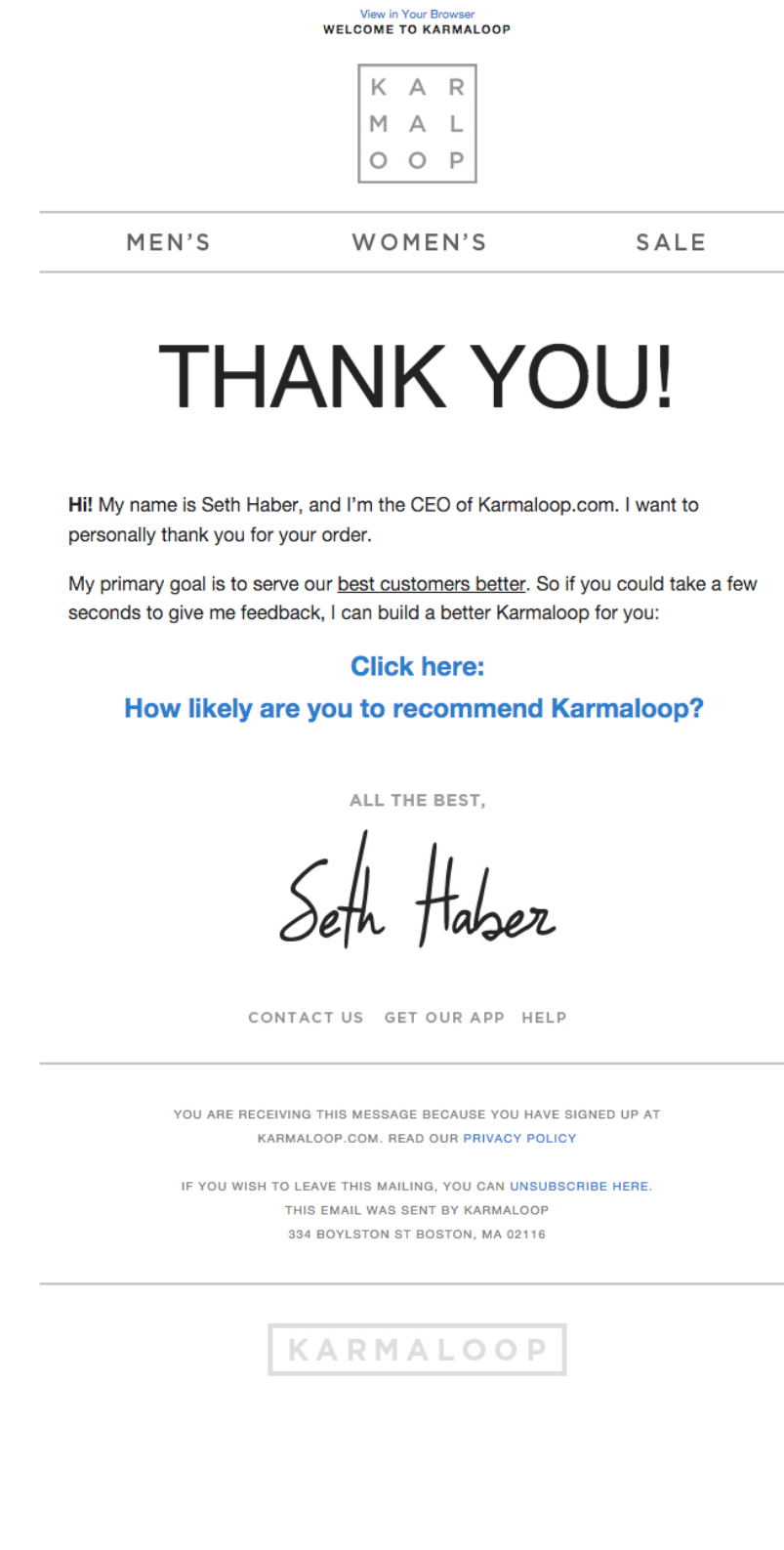
## Where to begin

Our VIP campaign -- target customers with an **AOV 2x the average**

**Easy-peasy: triggered email + Google Forms**

**Ask:**

- What other brands/products/categories should we offer? (cross and upsells)
- What other services do you need? (customer experience)
- Where did you hear about us? (acquisition)



## Your turn

**If I were to pick one of these to start with, it would be: *focus on your whales***

- 1. Set up simple survey to anyone who transacts with 2X average AOV**
- 2. Review the results; take action**



# Recap

**Goal: an automated *AOV Maximization System***

- 1. Where we are**
- 2. The AOV menu**
  - 1. Pricing**
  - 2. Quantities**
  - 3. Bundling**
  - 4. And more!**

# Next session: cross-selling and upselling



# Questions?