



BUSINESS ACCELERATOR PROGRAM

IMPROVING AVERAGE DOLLAR SALE



By James McNamara



Improving Average Dollar Sale

Introduction

Average Sale, also labelled Average Transaction Value (ATV), is the average dollar amount a customer buys from you, within a single transaction. The Average Dollar Sale is a highly powerful number as far as the growth of your business is concerned. So, you need to get a good handle on this number. For instance, some of your customers might spend \$400 while others \$40. If 100 customers buy from you and the total of those sales is \$7,000 in a day, your Average Dollar Sale for that day is \$70. Therefore, the average dollar sale is precisely that: the average dollar every customer who does business with you spends. You get this figure by dividing the total amount you've billed for with the total number of transactions you have made within a specific timeframe.

Every business looks to increase its Average Dollar Sale. That's the reason McDonald's employees always ask you 'Would you like French fries with that?' when you order a burger or sandwich in any of their outlets. Even if a fraction of McDonald's 68 million customers per day say yes to this question, the burger behemoth pockets millions of dollars more. Likewise, you need to explore ways in which you can increase your average dollar sale. Look for a similar strategy that could unlock a goldmine for your company. Market share isn't the real issue. It is wallet share that matters. You can boost your company's cash flow and bottom line only by boosting the dollar value of each of your sale. Let's look at some tactics you can use to maximise every transaction.

10 Useful Average Sale Strategies Summarised

Below, 10 strategies are summarised for maximising every transaction. This list of strategies to boost your average sale is not meant to be exhaustive. It does, however, include some practical low cost and no cost strategies that you can implement into your business immediately.



Take notes on the ideas you can implement into your business wherever you see this symbol .

Here are the strategy summaries.

1. Inform People of Your Entire Range

Far too many businesses assume their customers know about everything they sell. But frequently, people only know just a part of your business. You can drive up the value of your average sale by merely introducing them to your entire range. You'll be pleasantly surprised by the number of customers who say, 'Yes, I'd be interested in trying that' or 'You mean you do that here as well'. Since they already trust you and your primary product/service, you should now introduce them to the other products/services you sell.

You Provide Good Service to Your Customers When You Ask Them to Buy More

Instead of trying to win more customers in your market, you should focus on getting more out of each of your existing customers. In effect, you get more with less. The most effective technique for achieving this would be by educating your customers on every one of your products/services. Your customers are more likely to keep coming back to you when they buy more products/services from you.

Listing All Your Products/Services

Imagine you are an auto electrician. How do you get your customers to come back to you? Do all your customers know your complete range of services? List all of them:

- Auto electrical repairs
- Battery sales and service
- Supply and set up dual battery systems
- Starters and alternator repair
- Golf buggy servicing and repairs
- Supply and set up automotive solar systems
- Electric windows repair and installation
- Supply and set up cruise control
- Service air conditioning systems on tractors and trucks

Most retail customers would never know that an auto electrician specialises in all these services. Likewise, whatever industry you are in, the only way you can get your customers to come back to you is by informing them of your entire range of products/services. You should look for all the products/services that complement your existing range.



2. Use a Checklist / Questionnaire

Using a checklist/questionnaire is an effective strategy to increase your average dollar sale. A checklist is similar to add-on selling. You merely run through this list with your customers whenever they buy a specific type of product. You need to prepare this list in advance and use it with as many products/services as possible. Consider a home improvement store as an example. If a customer purchases a tin of paint, the salesperson should run through the list to check if they require brushes, stirrers, drop sheets, thinners, etc.

Useful Tips on Using Your Checklist

- Make certain every salesperson has the list.
- Check to ensure this list is being used in each transaction with every customer.
- Establish a reward system that acknowledges salespersons making additional sales off the list.
- Make minor changes to the list if it doesn't deliver a higher average sale – Test and Measure.

Using a Questionnaire

A questionnaire is a simple but effective sales tool. You should offer your customers an incentive to participate or simply explain to them that you're trying to help them. Dig deep. Ask enough questions, making certain you leave no stone unturned. You might find another of your customer's wants or needs if you ask them an extra question.

A questionnaire is effective in asking customers for their suggestions and acting on them as quickly as possible. A simple questionnaire is also effective when you're not sure of any additional products/services you could sell. Ask your customers what else they'd like you to sell. Get a little creative. A

customer might suggest something innovative that you could implement in your business. After all, wasn't it a customer who suggested Domino's to start delivering pizzas?

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



3. Take Hidden Products/Services Out of the Shadows

Every sales guru on the planet will tell you the same thing: *know what you sell very well, sell what you know very well*. Long story short: your salespeople will do much better if they know the products/services they're selling. Also, it helps if they truly believe they are the finest choice out there. If you send a salesperson into the field or into the store without complete knowledge of all your products/services they're selling, it is simply a recipe for disaster. You need to train them first.

An Example

An insurance broker had been selling only 1.28 policies per customer despite offering over a dozen types of insurance. A simple questionnaire reveals that most of the customers weren't aware that the broker sold the other products. The broker had failed to take their hidden products/services out of the shadows. **Signage, newsletters and other marketing tactics can help in this area.** Eventually, the broker was able to increase their average sales figure to over 2.5 policies per customer by taking action on the feedback they got from the questionnaire.

Improve Your Sales by Educating Your Sales Staff

When your salespeople understand your products/services, they're more likely to display and recommend them to your customers. An educated and excited salesperson can't wait to tell customers about a product/service that will solve their problem. They are not only enthusiastic about what they're selling but also able to clearly explain everything your product/service offers that your competitor's product/service doesn't offer. So, **comprehensive sales training** is a crucial area that delivers higher average sale value. It's really your job to turn your salespeople into experts who are capable of



recommending the most suitable product/service to the customer from among the dozens your company deals in.

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



4. Sales Systems for Add-On Sales and Up-Sales

A sale of additional goods/services to a buyer is known as 'Add-on sale'. Depending on your brand's products/services, add-on sales may account for significant revenues and profits to your company. Also known as 'Up-selling', an add-on sale is typically suggested by your salesperson after the buyer has made a definite decision to buy your core product/service.

Add-On Sales Increase Your Average Sale Value Dramatically

Since add-on sales are extremely effective in increasing your sales, you leave money on the table when you fail to use them. Think of the countless times you ordered French fries in McDonald's just because the salesperson suggested it. Once your customers buy from you, they are in the right mood for buying more. It's easier for your salesperson to close an additional sale of a related product. So, the most effective and simplest way of improving the average size and profitability of your sale would be to offer extra value or a related product right at the close of sale. Remember, it is at this point that your customer is most receptive.

Up-Selling

If you have products at different price levels, it's easier up-selling to your customers. You could market these products as budget, standard and premium models. You can target the budget conscious buyer with your base product. Most of your customers will opt for the standard model. You could target customers looking for extra value and superior quality with your premium model. You should train your sales team to highlight the features and benefits of all the three models to your customers. Since most of your customers will opt for the standard model, there's plenty of scope for up-selling your premium model to them. If you make an attractive offer, 20–30% of your customers will say yes. Every cent of the extra profit

goes straight to your company's bottom line. And there's virtually no extra cost of sale involved in reaching your customer.

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



5. Educate on Value Not Price

You should focus on building customer loyalty to You– not to your Price. So, it's your job to educate your customers every time you see them. Your job is that of a teacher or rather, a consultant. When you take the educational route, you train and prepare your customers for *higher values* and *higher prices*. Each visit to your customer should include a product/service teaching segment. 'Here is a first-rate product/service. Let me show you the reason you get tonnes of value when you invest in it. Let me show why it's much better for you to buy this one than buying a cheaper product/service.'

An Example

Wal-Mart trains customers to buy on a single factor – price. In reality, they reduce on one sphere and increase (or rather compromise) on another. They sell merchandise that is lower in quality and often it doesn't last. While this approach works for a giant retailer with limitless resources, it's a slow death for any value added business person.

Don't Let Price Shoppers Dictate Your Business Terms

Price shoppers will always be there. It's part of how things work. But don't permit them to persuade you into thinking that doing business in today's marketplace is only about price. Because it isn't so! It's your job to train and teach your customers with solid facts, figures, and product/service knowledge. Don't use bait and switch tactics, fancy closing techniques or sales gimmicks. You don't need to! Your job is to increase the average sale value by teaching, by consulting, by selling value, and by learning your product line. You are selling return-on-investment. You are not simply quoting the price.



Hence, whether you are selling shirts or shoes, sell the value of your product. You must always sell the Value that the customer derives from your product/service in an honest and professional manner.

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



6. Create Product /Service Packages

You should create product/service bundles that cost your customers much less than if they bought the same items individually. This will encourage your customers to checkout with multiple items. When you bundle products/services, you effectively increase the perceived transaction value. Additionally, your customers derive satisfaction from taking advantage of your deal.

Packaging Complementary Products or Services

Combine a group of individually enticing products or services that complement each other. Offer this bundle as one complete package for a fixed price to the customer. Your offer should represent irresistible value when compared to buying the components in the bundle separately. This selling strategy increases your incremental profits substantially and enables you to sell complete solutions. Your customers are virtually hooked into using your products/services. And it's a win-win situation for you and your customers. You increase your average sale value and get to own your market while your customers get a simplified buying process and a discount on a 100% solution. The fortunes of many organisations have been transformed by this marketing technique.

Examples

SafeSleeve, a manufacturer of anti-radiation laptop and Smartphone cases, recommends another complementary product and offers a discount at checkout. Endeavour, a manufacturer of surfboards and accessories, allows buyers to build their own surfboard and pick additional features, add-ons and customisations that increase the order total.

Likewise, you can empower buyers to create their own bundles. Allow customers to choose the add-ons or features they want in their order. For instance, if you sell cosmetics, you can allow your customers to build their personalised makeup kit. Instead of selling each item separately, you should encourage buyers to create their custom bundle. Throw in an overall discount that the customer can't resist. And your average order value goes up!

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



7. Sell Most Expensive First

Most business owners are skilful at pricing, negotiating, and closing a sale. But few of them know about an easy, time-tested selling technique labelled 'Rejection-Then-Retreat' (also called 'bigger-then-smaller-request-strategy'). Robert Cialdini explains the use of 'rejection-then-retreat' in *Influence*. Cialdini cites a compelling study about a billiard-table dealer that proves the effectiveness of this technique.

An Example of Selling the Most Expensive Model First

A Brunswick billiard-table dealer had several models priced in the range of \$500 to \$5,000 in their store. During the first week, a new manager opted for the traditional trading-up approach. The manager showed customers the low-priced models first and then encouraged them to consider the more expensive models. The average table sale value that week was \$650. Then, during the second week, the manager opted for a different approach. Customers, regardless of what they wanted, were led to the \$5,000 table first. They were then shown the rest of the tables, in declining order of price. The average table sale value during the second week was over \$1,000. The implications here are exciting for your business.

How You Can Put the 'Rejection-Then-Retreat' Technique to Use in Your Business

Your average sale value is guaranteed to be higher when you use 'selling down' (rejection-then-retreat) strategy as opposed to 'selling up' strategy. When you start with your highest priced products/services first, your customers will end up at some point in the middle. But when you start



with your lowest priced products/services first, your customers will end up at some point that's closer to the lowest price.

When you attempt to sell the most expensive model first, you're essentially conditioning the customer to the existence of a high-priced alternative. This approach makes the customer more amenable to your mid-range and lower priced products/services. **So, if you systematically arrange your offerings to achieve this powerful effect, you are certain to increase your average sale value. On your business website, instead of starting from basic and progressing to premium (like most businesses do), start from premium and move down to basic.**

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



8. Focus on A-Grade Clients

All customers are not equal. You'll always get the ones you're willing to accept. The Pareto Principle (also labelled the 80:20 Rule) says that 80% of your business will come from just 20% of your customers. This also implies that 80% of all your problems will come from just 20% of your customers. So, you shouldn't hesitate to say goodbye to your worst customers because they mean more trouble for you.

Categorise Your Customers into A, B, C, or D Grades

List the favourable qualities you desire in your ideal customers. They could be 'pays on time', 'doesn't bargain on quotes' and 'refers their friends frequently'. Based on these qualities, categorise your customers into A, B, C or D grades.

A-grade customers are your favourite. They have all the qualities you desire and give you good business.

B-grade customers, although not perfect, are still good. They pay on time and don't complain.

C-grade customers haggle for a discount most often and also return merchandise sometimes. They are barely manageable.

D-grade customers complain about everything. They are loud and rude. They ruin your day regularly.

Get Rid of C and D-Grade Customers

You don't need to tolerate D-grade customers. Sometimes, even C-grade customers can be a handful for your staff. The simplest way to 'fix' these low-grade customers would be to create some new rules to safeguard you from undesirable customers. You could:

- Phase out in-house account facility
- Discontinue entry-level plan
- Stop discounts

Communicate your changes to all customers politely. Some C-grade customers will abide by your rules and move on to become B-grade customers. The remainder of your lowest grade customers will leave. Let them go!

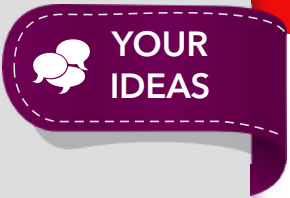
Now that you are left with only A and B-grade customers, you can give your full attention to them. Ask them for referrals since there's additional room for more A-grade customers.

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



9. Offer Larger Units of Purchase

The simplest and most powerful way to increase your average sale value would be to increase the size of your company's minimum purchase unit across the board. If your customers buy a weekly supply of stock, you can offer them a monthly pack. Likewise, you can roll out a quarterly, half-yearly or even annual pack for your high-volume buyers. Price these packs



attractively and advantageously for your customers. They will appreciate the added value, the immense savings, and the extra convenience of purchasing in bulk.

Benefits of Offering Larger Units of Purchase

When you offer a larger unit of purchase, your average sale value goes up significantly. Also, you lock in your customers for longer. Even if some of your customers don't take up your offer of a new larger pack, you don't lose. Most of them will still buy your smallest unit happily. You can also offer **Savings Packs** to your customers. These packs are essentially a larger quantity of an identical unit. Buy two, get one free is a good example.

An Example

Costco, a membership-only warehouse club, provides members with a wide selection of merchandise. The wholesale corporation sells packaged items in multi-packs or large sizes only. Items in large-sized packs reduce the cost per ounce. Due to this, the cost per unit is significantly lesser than at other food retailers. Customers quickly realise that Costco offers the best prices in town. And that's a compelling reason to return. In its Fresh Departments, Costco offers meat in large pack sizes. Customers get great value and the wholesale corporation benefits from a high average sale value.

What Ideas Can You Use In Your Business?

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10. Account Management - Vertical Penetration

Vertical marketing means selling your products/services to a particular target customer. In contrast, horizontal marketing attempts to get a broad variety of customers to purchase what you sell. Vertical markets categorise businesses based on their industry or specific needs. Some vertical markets include aerospace, healthcare, education, automotive, legal, and finance. These verticals often branch into finer subcategories. Specialising in one or more vertical markets allows you to target potential new customers and increase account penetration. You can increase revenue with the right set

of products and services. However, vertical markets do pose challenges. Besides knowing products and technologies, you need to track market trends and understand the events that affect your customers.

Examples of Vertical Marketing and Horizontal Marketing

In vertical marketing, you sell products and services to customers with similar interests. Selling an assortment of gardening tools to homeowners keen on taking care of their own yards would be vertical marketing. But selling kitchen appliances, bedding, furniture pieces, and bathroom items to all homeowners would be horizontal marketing. Selling a customised accounting software programme to dentists would be an example of B2B vertical marketing. Selling generic bookkeeping software to all companies would be an example of B2B horizontal marketing.

Advantages of Vertical Penetration

When you use a vertical marketing strategy for a few or all of your products/ services, you are able to create an exclusive brand that establishes you as a leader in your area. Despite having a smaller customer base, you might still achieve a high volume because your customers are prepared to pay a higher price. Imagine you are a local retailer specialising in women's clothing. You might choose not to compete with a multi-national clothing store that markets children's, men's, and women's apparel. Instead, you might choose to add women's handbags, cosmetics, and footwear to your existing product line.

WHAT IDEAS CAN YOU USE IN YOUR BUSINESS?



Strategy Implementation Summary



In the space below, summarise the best ideas that you have gained for implementing into your business from reading the 10 Average Sale sub-strategy summaries above. In the right-hand column, prioritise the strategies for implementation, with #1 being the strategy you will implement first.

Ideas I Can Implement Into My Business	Priority