Best Practices in Email Marketing

The Ultimate Lifecycle Email Marketing Guide: Cross- & Up-Sell Programs

Proven strategies for implementing, testing and optimizing effective cross- and up-sell programs
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WHAT IS IT?

Marketers do not need yet another Harvard Business School study to tell them that driving incremental sales from a current customer costs a lot less than acquiring new ones. However, many marketers squander the incremental sales opportunities afforded them by their own email lists. Email cross-sell and up-sell programs allow marketers to drive more profitable behavior from the customers and prospects they know best.

While retailers might seem to benefit most from cross-sell and up-sell programs, there is an opportunity for all marketers to employ these tactics. Marketers who successfully drive a customer to an online or live event, for instance, can use cross-sell and up-sell messages to drive the customer to other events. Similarly, marketers dealing with long purchase cycles (e.g. those in business-to-business) can use these tactics to increase awareness and interest for increasingly valuable products and services.

Despite the potential of cross-sell/up-sell programs, fewer companies avail themselves of this tactic than you might think. In a recent StrongMail industry survey, only 37% of marketers said they integrated cross-sell or up-sell tactics into their email programs for the 2011 Holiday period.

Do not confuse the lack of implementation with a lack of interest. In the same survey, 45% of email marketers identified their biggest email challenge as integration of customer data and 43% pointed to lack of resources or staff. This whitepaper will discuss both the benefits of cross-sell and up-sell offers in emails, as well as how a wide variety of email marketers can take advantage of the tactics regardless of available resources and data.

WHY IT’S A GOOD IDEA

As noted above, cross-sell and up-sell programs offer opportunities for marketers to increase revenue at a relatively small cost. Regardless of industry or channel, customer acquisition costs money – anywhere from pennies for simple search engine marketing (SEM) or banner campaigns, to hundreds of dollars for sophisticated multi-channel efforts in high-margin industries such as financial services and insurance. In contrast, cross-sell and up-sell programs can be run at a fraction of those costs because they do not require the expense of sifting good prospects from a bunch of hand-raisers. By definition, cross-sell and up-sell programs involve a cherry-picked audience – people who have already bought something from a marketer.

Leveraging email for your cross- and up-sell programs offers two additional advantages:

1. Low-cost channel
   Email has proven itself as the highest bang-for-the-buck channel in all of marketing. No other channel comes close to the speed-to-market, mass-reach and timely impact of email. As a result, testing cross-sell and up-sell programs in email remains within the reach of every marketer.

2. Available data
   While top-flight cross-sell and up-sell programs involve data pulled from multiple sources such as marketing and sales databases, even modestly functional email platforms can provide relevant data.
DEFINING TERMS
While marketing literature may lump cross-sell and up-sell together, it is helpful to define them individually and to identify the key differences between them.

**Cross-sell** refers to the tactic of recommending additional purchases based on a previous purchase. Often, but not always, cross-sell involves selling items from categories other than the category of the initial purchase. For example, if a customer bought a sweater from a clothing retailer, both a matching shirt (from the clothing department) and a pendant (from the accessories department) might fall under the cross-sell banner.

**Up-sell** refers to the tactic of selling enhancement to the existing purchase. In the brick-and-mortar world, McDonalds practices up-selling every time they ask “would you like to supersize that?” Similarly, car dealers practice up-sell when they convince buyers to opt for a larger or more luxurious car than they initially intended to buy.

While email sometimes engages in up-sell before purchase, it more often does so after purchase. As a result, up-sell usually takes the form of product-specific add-ons, such as extended warranties, optional features or enhanced services.

GETTING STARTED
Making cross-sell and up-sell work in email requires nailing down three inputs: available customer data, available resources and offer structure.

Three Critical Components of a Successful Cross-Sell/Up-Sell Program

1. **Available Customer Data**

   The quality and quantity of customer data available will determine the flexibility and relevance of cross-sell and up-sell efforts. The key word here is “available.” Many marketers have petabytes of data on their customers, but those data often remain locked in point-of-sale (POS) or marketing databases due to security or technology issues. While marketers may use these data to help inform cross-sell and up-sell programs, they may not be able to use the information to drive the actual process. Let’s look at some types of data and how marketers can use them.

   - **Sales data** come from POS or transactional systems and rank as the most valuable of all customer data. After all, nothing indicates interest better than an actual purchase. If marketers can pull these data into the email program, they can use them in both static and dynamic ways.

     - **Static.** Marketers can take an educated guess about which products go with which purchases using anecdotal information at either the product or category level. For instance, at the product level, anyone who buys a TV might also be interested in video cables or a Blu-Ray player. Similarly, a marketer could simply have a basket of offers at the category level, such as offering the top five electronics products for anyone who has bought something electronic.

     - **Dynamic.** Marketers with access to purchase models may employ offers based on product relationships. These relationships may stem from simple cluster analysis that show other products bought in the same basket as a specific SKU or more exotic next-best-offer models that involve greater sensitivity with the data. Dynamic approaches require more analytics capabilities but generally improve relevance.
• **Web analytics data** allow marketers to target offers based on what the customer has viewed on the marketer’s website. With these data, a marketer could send a purchaser an email with offers based on other products viewed during the session that resulted in the purchase.

• **Preference data** come from elections that customers have made when registering for email, usually via a preference center. These data can provide clues on a customer’s needs. For instance, if a customer has asked for family content via a preference center, then the marketer could offer children’s products in a cross-sell or up-sell message, regardless of what she actually bought.

• **Email response data** come from the email platform (ESP). Enterprise email marketing solutions like StrongMail Message Studio typically enable marketers to create segments based on specific actions taken in email. Thus, a marketer could follow up a sale by emailing that customer an offer based on a previously viewed email offer. For example, if a customer bought a garlic peeler, the marketer could send an offer for a spatula that the customer viewed from a previous email.

Marketers with sufficient analytics abilities can blend these data together for even greater dimensionality. More importantly, marketers should recognize that they can devise cross-sell and up-sell tactics no matter what data is available.

2. **Available Resources**

Naturally, all the data in the world won’t make a difference if a marketer doesn’t have people or technology to bring those data to bear. Some resources include:

• **Analysts** who can manipulate the data mentioned above. Obviously, the more skilled the analysts, the more useful the data. However, marketers without access to analysts still have the opportunity to employ common-sense static sales data as previously noted.

• **Creative/production staff** to develop offer modules or emails featuring cross-sell or up-sell. At its simplest, cross-sell or up-sell requires creating alternate versions of emails that include an offer based on data as described above. However, the approach quickly gets complicated and requires production staff who can employ code to pull in the offers from a designated data source.

• **Technology or personnel** to create product adjacencies. Someone, or some technology, needs to build the offers. In the case of static sales data, a person with sales knowledge can create sales adjacencies based on history or educated guesses. However, using a recommendation engine based on analytical modeling generally works better, especially for marketers with hundreds or thousands of discrete products.

3. **Available Communications**

A marketer also needs to think about where the cross-sell and up-sell offers should go. Some good options include:

• **Transactional messages** such as purchase confirmations and shipping notifications. Direct marketers proved the adage “it’s never too early to make the next sale” decades ago. These opportunities take advantage of the additional attention that customers traditionally give to transactional messaging. Remember, however, to comply with CAN-SPAM regulations and make sure the transactional message is front and center. As a general rule, you should also limit your marketing messages to a third of the total message area.

• **Triggered messages** such as abandoned cart or web-analytics-driven emails. Take advantage of customer interest by targeting messages based on their interests. Offers along the lines of “you may also be interested in” work by reminding customers of something they’ve done on a marketer’s website.
• **Regularly-scheduled emails** such as newsletters or typical sales emails. Marketers can really learn about how cross-sell and up-sell offers perform alongside more broad-based offers. However, be careful to prevent unfortunate coincidences. An email announcing a spring sale would look funny, for example, if the cross-sell or up-sell offer next to it suggested a winter coat based on the user’s browsing history.

• **Ad-hoc emails**. Single-purpose emails enjoy the advantage of focus. However, adding a cross-sell or up-sell message may enhance their impact by involving the customer more completely.

### MEASUREMENT

Determining success of cross-sell and up-sell depends on the data abilities of the marketer. Sales, of course, represent the clearest indication of success. However, marketers should also consider the following:

• **Use a control sample** to determine lift. When a marketer applies cross-sell or up-sell tactics, he or she should compare the success of tactics against a like sample that does not receive them but that still does receive relevant emails. Practically speaking, it means creating two or more versions of the communications in question—one or more with cross-sell/up-sell tactics and one with static offers or no offers. Only by comparing the tactics against a control can a marketer determine the actual value of the offers.

• **Use response data as a proxy if necessary**. This should be done if sales from the communication cannot be calculated directly. While click data alone do not immediately translate into sales figures, they’re better than nothing!

### CROSS-SELL AND UP-SELL FOR NON-RESTAURANTS

While non-retailers do not sell in the traditional sense, they can also benefit from cross-sell and up-sell tactics. A publisher, for instance, might use them to find content of interest to their readers. Manufacturers might use them to help customers find products that complement their past purchases or actions. The same tactics and measurements generally apply across the board.

### OPTIMIZATION

Cross-sell and up-sell offers run a broad gamut from simple product-category suggestions to sophisticated next-logical-product offer models. Few marketers have the resources or stamina to jump into more complex applications first.

Three Optimization Best Practices for Cross-Sell and Up-Sell Programs

1. **Start small**
   
   Try simple applications of cross-sell and up-sell. As a suggestion, identify a product category with well-known product adjacencies and manually create offers relevant to the category (e.g. cross-sell coffee grinders to coffee maker purchasers) and measure success.

2. **Add scale**
   
   Roll out offers to other categories or products as resources allow. Observe how cross-sell and up-sell offers perform in different categories.

3. **Add sophistication**
   
   Assuming that cross-sell and up-sell offers perform well, improve performance by testing dynamic offer insertion and modeling to fine-tune the emails. Over time, modeling will get more and more accurate.
ANATOMY OF AN EFFECTIVE CROSS-SELL EMAIL PROGRAM

The following product review email from Real Networks’ GameHouse division leverages purchase history data to serve up relevant game titles from a pool of popular and new releases. GameHouse uses StrongMail to automatically trigger this subscriber email after a preset interval from the highlighted purchase, with the main focus on soliciting a product review. By inserting relevant cross-sell offers into an email template with a clean design and singular call-to-action, GameHouse is able to limit distraction and increase conversions.

Recent game purchasers are targeted after a preset interval from purchase date

Email serves up a relevant selection of top sellers and new releases

Clean email design prominently features cross-sell offers without overpowering main message

Inserting cross-sell offers into a template with only one other call-to-action helps facilitate conversions
REQUIRED TECHNOLOGY

Unlike traditional outbound batch-and-blast email marketing campaigns, cross-sell and up-sell email programs are typically triggered by a purchase process, which requires real-time integration with e-commerce systems, web analytics, recommendation engines, customer databases and/or other external systems. Once those integrations are in place, the message needs to be assembled dynamically based on available information and, finally, be delivered in the timeframe that you have tested to be most effective.

This entire process requires a triggered or transactional email solution that not only ties into your data warehouse and other systems, but that also provides you with in-depth reporting to gauge deliverability and engagement, as well as full HTML customization capabilities to ensure visual consistency with your other email communications. Cross- and up-sell email programs are most effectively served by a lifecycle email marketing solution that allows you to easily set up appropriate triggers, customize wait intervals, test offers and optimize performance in real-time.

If you aren’t currently able to dynamically assemble and send event-triggered emails with full tracking capabilities, you should look at upgrading your system to ensure that your customers receive timely and relevant messages. Marketers should also seriously consider a system with lifecycle marketing capabilities that will allow you to easily create a flow that maximizes engagement and conversions.

Below is an example of a cross-sell program designed with StrongMail’s drag-and-drop lifecycle marketing solution. As illustrated below, a triggered email program can be initiated by integration with an e-commerce systems and then integrate “wait” steps and actions that generate different flows (which can be tested for maximum engagement).

In the scenario below, a customer books a cruise vacation and receives a confirmation email with a cross-sell offer for a discounted, shipboard spa treatment. If the passenger converts on the offer, s/he receives a confirmation email with another upsell-offer: a triple upgrade for the price of a double. If the passenger doesn’t convert, s/he receives an email a week later with a different upsell offer: a double upgrade for the price of a single upgrade.
THE PAY OFF

Doing cross-sell and up-sell right requires significant expertise and technology resources. It also requires patience to see the task through completely. However, marketers who employ cross-sell and up-sell tactics successfully enjoy substantial gains in sales. How much? An IBM Coremetrics study found a 13% lift for dynamic cross-sell offers and a 17% lift for dynamic up-sell offers with UK retailer Jessops. Moreover, marketers can expand customers’ perceptions of their brands and what they offer by educating them on all the product categories they cover. Cross-sell and up-sell programs represent untapped potential for many marketers. Dynamic emails make tapping that potential easier than ever.

ABOUT STRONGMAIL

We’re StrongMail. We cater to forward-thinking enterprises that are looking for more than just a “me-too” email marketing solution. As our name implies, we’re all about helping our clients create STRONG email marketing programs – ones that are impactful, effective and efficient.

We believe that email provides the foundation for great interactive marketing, and that social media and mobile marketing serve to strengthen that foundation. While Forrester Research named StrongMail as one of only six ESPs suited for enterprise marketers alongside vendors like ExactTarget, Responsys and Cheetahmail, our solutions and approach are very different (which is why enterprises and high-volume senders like us).

Talk to us. See how StrongMail is different, and how that difference can help your business grow. Learn more at www.strongmail.com or contact us today.

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