

## Grow Your Business by Increasing the Average Sale Value

In this Fact Sheet we discuss how you can grow your business, by **increasing the average sale value**.

Customers come to you for help and guidance. So it's important to let them know about all the options, including additional products or services that are available to add on to the original purchase. You've put a lot of time and money into getting that customer in to your business in the first place, so why not **leverage the return** on that investment where you can?

There are a number of common selling strategies you can use to increase the average sale transaction value.

### Cross selling

Cross selling is when you sell other products or services from your range in addition to the customer's original choice - "Would you like fries with that?" Look at your major product or service offerings and ask: What else could we offer to go with this item that would add value and help the customer get the most out of the purchase? Then **develop cross selling checklists** for each item that will guide team members in making suggestions to customers.

### Up-selling

A great way to up-sell from a lower to a higher priced item is to **offer your products or services in three or more tiers**, along the line of good, better and best; or bronze, silver and gold. Your first tier might be your budget items, the ones for price conscious buyers. Your second tier is the one you actually want the majority of customers to buy, and your third tier items will appeal to those who are happy to spend a little more for more value. Train your team members to offer three options from your range of items, explaining the tiers. Statistics show that most people will select the second tier item.

### Bundling

Bundling should make your products and services appear more attractive and **create a higher perceived value** in the mind of the customer. For example, a health professional might bundle together a free assessment when a customer signs up for a certain minimum number of sessions. Take a look at your full range of products and services and see if there's any opportunity to package things in this way in your business.

### Smart merchandising

Signage, ticketing, presentation and packaging, traffic flow, and point-of-sale displays are all types of merchandising that can increase your average sale if done well. Having educational information about your products or services, and sales tools like testimonials or brochures, can help build customers' confidence in your business and increase the average sale value.

### Work your margins and pricing

To increase your average sale value you must have a **firm understanding of your margins** and how they affect your bottom line. Avoiding discounting and price wars is important to maintain and increase your average sale value. If your present margin is 35% and you **reduce your prices by 10%**, then just to produce the same profit as before the discount your sales **volume must increase by 40%**! On the other hand, if your present margin is 35% and you increase your prices by 10%, your sales can reduce by up to 22% while still maintaining the same profit. Do some what-if scenarios around increasing and decreasing your margins to see just what the effect on profit might be.

*If you would like further help on how you can increase your average sale value, or to discuss other issues about your business, please call **Philip Barnes**, Director, CFO Insight on **0405 800 767**.*