5 Growth Hacks to Boost Your E-commerce Store Average Order Value

If you ask an e-commerce store owner what is his main marketing goal, he will most likely tell you "to get more customers".

That's understandable, but here's the thing:

More customers don't guarantee more revenue and profits.

Here's why:

If all your customers spend $20 per order on average, and your profit margins are in the 30% range, you'd be making $6 per customer.

But if your customer spent $40 per order on average while keeping the same profits, you'd be making $12 per customer.

That $20 revenue jump isn't hard to do, it only takes the right tactics and mindset.

If you recall, in the last article, I told you there are three keys metrics to a profitable e-commerce store:

1. Number of customers.
2. Average order value.
3. Frequency of orders.

In the second part of this three article series, I will show you how the average order value can help you increase your revenue and profits without having to invest a lot of time and money.

I will also show you five tactics to increase the average order value of your store.

But first, I will explain what is the average order value, and why it's one of the most important metrics that any e-commerce store owner should focus on.

What is AOV and Why It Matters

The average order value (AOV for short) is a key metric that calculates the average dollar amount spent each time a customer places an order on a store.

The basic calculation for the average order value is:

Revenue Generated / Number of Orders = Average Order Value
Understanding a store's AOV helps to evaluate the health of the purchasing habits and the overall marketing strategy of an e-commerce business.

In contrast with the cost of traffic generation and customer acquisition, improving the AOV doesn't demand a big financial investment, while providing a fast improvement of a store's profitability.

In the next section, I will show you 5 tactics to increase your average order value.

How to Increase Your AOV

Set a Free Shipping Threshold

If you have ever shopped online, I'm sure you have seen stores that have an offer that says "Free Shipping with orders over $50". This threshold exist for a

reason: it can help companies break even with their shipping while persuading visitors to purchase.

Free shipping is a value proposition every store should offer because the lack of it is the **biggest reason for cart abandonment**. Not only that, a research study done by Deloitte says **40% of customers** are <u>willing to buy more items if they qualify for free shipping</u>.

As you can see, free shipping is important. The lower the free shipping, the higher the likelihood of a higher conversion rate. However, by setting a threshold, you are telling your customers they need to purchase a certain amount to get it. This can make many customers buy more to be eligible for free shipping than if it was free for all orders.

The key to a successful free shipping threshold is that it has to be at the right price point. Too high, and it will scare your customers away; too low, and it will make you lose money and lower your AOV. That's why you need to calculate a threshold that is both attractive and profitable, which helps you increase your AOV.

Ideally, you should <u>test different options</u>, but if you don't have the traffic or time, you can start with one price and change the threshold as you see fit.

In order to <u>calculate the free shipping threshold</u>, you need to open a Google Spreadsheet and follow these steps:

1. Export your order history for the past 3 to 6 months to Excel, and create a column called "**Order Value**", without including the shipping costs.
2. Create two or three buckets with price ranges that make sense for your business. If you have an idea that your average order value is $50, then you would create a $60-69, $70-79.
3. Create a second column called "Bucket Assignments". The formula for this is =FLOOR (A2, 5). The "5" in this case means that the formula will round the "**Order Value**" number down to the nearest multiple of 5, determining to which bucket each order should be assigned.
4. Next, create a column called "**Bucket**" with a list of numbers starting at 0 and increasing according to the size buckets you have chosen.
5. To determine how many orders fall in each bucket, create a column called "**Number of Orders**" and use the following formula: =COUNTIF($B$2:$B$15, C2).
6. Create a chart with "**Number of Orders**" on the y-axis and "**Order Value**" on the x-axis, showing your buckets.
7. Take a look at your chart to see around which values you have the highest number of orders. Is your median order value significantly below your

current free shipping threshold? Above it? Which of the above sample charts does your chart most resemble?

Once you choose a threshold that makes sense for you, you should add it to your store, and possibly, test it.

Pro tip: One tactic many stores implement to add even more value to their purchase is letting the visitors know how much they need to add to their cart to be eligible for free shipping.

A Shopify app that lets you do this is The Motivator, by Bold Apps. I use it in my store, and it works great. I'm pretty sure many people have added more products to their orders to get the free shipping, even if that meant going way over the threshold.
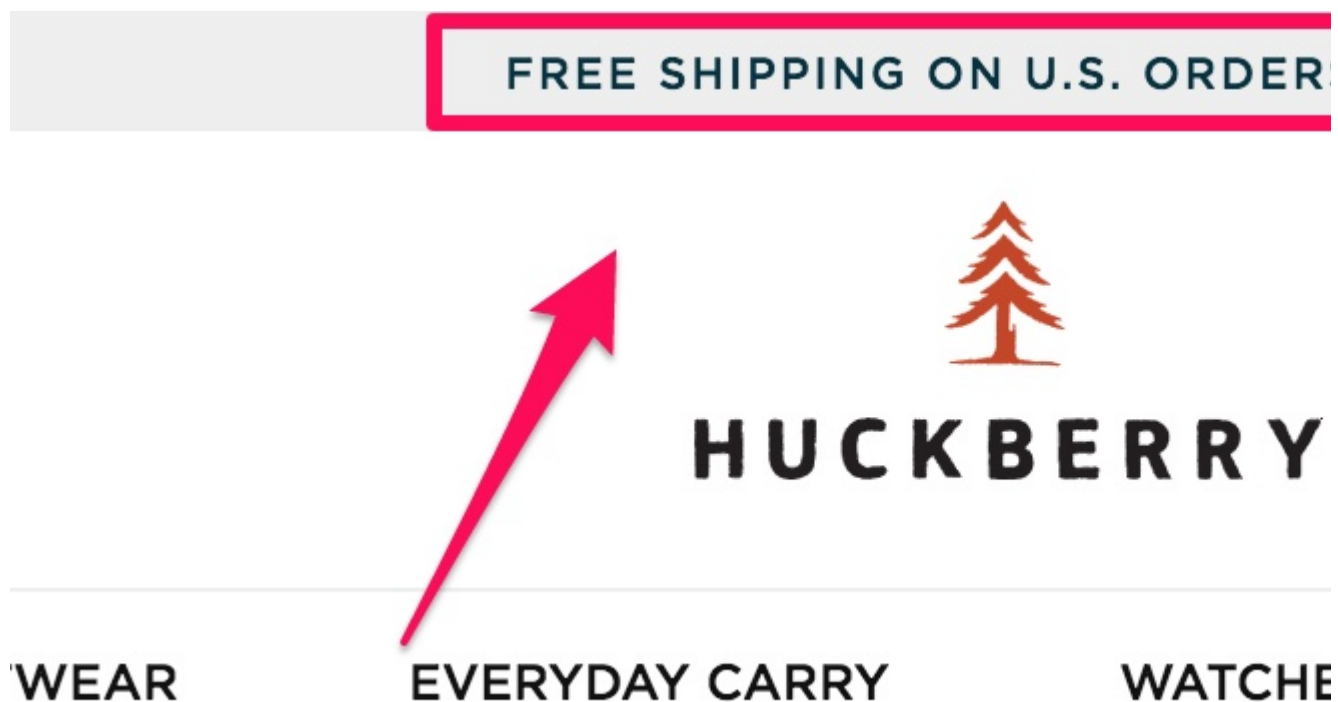
Huckberry offers free shipping as well.

Amazon offering free shipping.

Use Product Bundling

Bundles are a marketing tactic that consists of providing the customer with multiple complementary products with the goal of increasing the amount spent in one order.

The idea is that by adding a few similar or complementary products together and discounting the individual products, the buyer gets a better deal than if she bought the products separately.

Tatvic, a web analytics consulting company, <u>were able to increase</u> the AOV of one of their customers within 15 days from $160 to $182 by using product bundles. Not too shabby for 15 days of work.

Although product bundling seems a great idea at first, it has some drawbacks. <u>According to a team of researchers</u> from Harvard and Carnegie Mellon University, some consumers might downgrade the value of a bundle compared to the value the individual component products if there is a "negative synergy" associated with the bundle. Despite this, they found that some products sold the most *when they were bundled together with an option to buy each piece separately*.

The key to an effective product bundling is offer products that when used together they work better than if they were used separately.

Some examples:

- If you sell wine glassware, bundle them with napkins, cutlery, and decanters.
- If you sell shoes, bundle them with socks.
- If you sell laptop bags, bundle them with smaller bags for cable cords.
- If you sell lipstick, bundle them with eye brushes.
- If you sell sofas, bundle them with individual couches.

Some Shopify apps that let you bundle are <u>Product Bundles</u>, by Bold Apps, and <u>Bundles</u>, by Gazebo.

Walmart bundles their offers very well, providing complementary software for a laptop.

Upsell and Cross-Sell

"*Do you want fries with that?*" is one of the most famous marketing phrases of all times. This phrase is what helped McDonald's become the $20 billion dollar company it is today. The example of McDonald's help to understand the power of upselling.

Upselling is a sales technique in which a seller persuades a customer to purchase more expensive items, in order to make a more profitable sale.

Cross-sell, on the other hand, is another sales technique in which related or complementary products are sold to a customer.

In both cases, what upselling and cross-selling do is adding more products to the cart, which increases the average order value.

For instance, B&H tries both to upsell and cross-sell when you want to buy a camera. First, they offer you the camera body alone, or the "deluxe" configuration, which adds an extra battery, a memory card, and an extended warranty. That's an upsell because they want to add those three things *along* with the original product.

Panasonic Lumix DMC-GH4 Mirrorless Micro Four Thir

Only) B&H # PADMCGH4B • MFR # DMC-GH4KBODY

Panasonic.

IN STOCK
Order **Now** to Ship **10/26** ⓘ

Calculate Shipping

INCLUDES FREE

- B&H Photo Video $200 Gift Card

PRODUCT HIGHLIGHTS

- 16.05MP Digital Live MOS Sensor
- DCI 4K 4096x2160 at 24p
- UHD 4K 3840x2160 at 30p/24p
- Full HD up to 60p

Show more

★★★★★ Reviews 250 | Q&A 83

Configuration: **Base**

| Base | Deluxe Kit |

On the other hand, if you scroll down a bit, you will see a big list of "Recommended Accessories", which are complementary to the camera. These recommendations are cross-sells because they are offered separately to the camera.

Panasonic Lumix DMC-GH4 Mirrorless Micro Fou Body Deluxe Kit B&H # PADMCGH4BDK (B&H Kit)

Panasonic.

KIT

IN STOCK
Order **Now** to Ship **10/26** ⓘ
Calculate Shipping

PRODUCT HIGHLIGHTS

- 64GB SDXC Memory Card
- Spare Rechargeable Lithium-Ion Battery
- Extended 2-Year Drops & Spills Warranty

★★★★★ Reviews 250 | Q&A 22

Configuration: **Deluxe Kit**

| Base | Deluxe Kit |

KIT INCLUDES:

↻ 360° View

f   y   g+   P

Recommended Accessories   View All >

Panasonic Lumix G X Vario 12-35mm f/2.8 Asph. Lens
$997.99
Add to Cart

SanDisk 64GB Extreme PRO UHS-I SDXC Memory Card
$34.95
Add to Cart

Panasonic Lumi FL200L External
$227.99
Add to Cart

Metabones T Speed Booster XL 0.64x Adapter for Full-
$649.00
Add to Cart

Panasonic DMW-RSL1 Remote Shutter Release
$58.00
Add to Cart

Manfrotto BeFre Travel Aluminum
$199.88
Add to Cart

Some apps I have used to add upsells and cross-sells to my store are <u>Cross-sell</u>, by Keeping Shop, and <u>OneClickUpsell</u>, by Zipify. Other apps with good reviews are <u>Boost Sales</u>, by Beeketing, and <u>Upsell Hero</u>, by Booster Apps.

Use Price Anchoring

<u>Anchoring</u> is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered (the "anchor") when making decisions. For an e-commerce store owner, this means the initial prices shoppers are presented with affect how they perceive the following prices they see.

For example, many SaaS businesses offer their plans in a descendent order, from most expensive to least expensive. This anchors the highest priced plan, which makes the other plans look cheaper in comparison. By using price anchoring, SaaS companies can help increase the ARPU (average revenue per user), which is the SaaS equivalent of the AOV.

<u>Blossom</u> does price anchoring the right way.
To implement price anchoring in your Shopify store, you
need to go to **Products > Collections**, go to any collection you have, and

under the "Products" tab, click on the "Sort" tab, and select "By price: Highest to lowest".

Many stores prefer to show their best sellers or the best-reviewed products. I would highly recommend you test what increases the AOV better: if showing the best sellers, or the highest-priced products.

SALE

Bartending Master Premium Gold Bar
Tool Set   **$83.99** *$111.99*

SALE

Homestia Classic Cocktail Set
                                  $35.99 *$47.99*

SALE

Viski Admiral™ Three Piece Bar Set
                                  $33.99 *$47.99*

SALE

Viski Irving Rocket Cocktail Shaker
                                  $33.99 *$35.99*

At Home Bar nail price anchoring in their store.
**Add Scarcity to the Offer**

Scarcity is another cognitive bias in which humans place a higher value on an object that is scarce, and a lower value on those that are abundant. Scarcity

explains why when humans want something which they can't have, their desire for the object gets higher.

By using scarcity-based offers, stores can increase the amount of products sold by inducing the fear of missing out (FOMO for short). If you like a product that has a great price for a limited period of time, you know you might lose the chance to save money if you don't purchase fast enough. This is what makes scarcity so powerful and so effective to increase the average order value.

Some sites that use scarcity effectively are deals sites. The whole idea of these type of sites is to sell limited amounts of products at a discount price. The scarcity is tied both to the time of the offer and the amount of stock left.

Another site that uses this tactic is Hotels.com. If you go to one of their hotels, you will find many scarcity driven messages along the page, like the ones shown below:
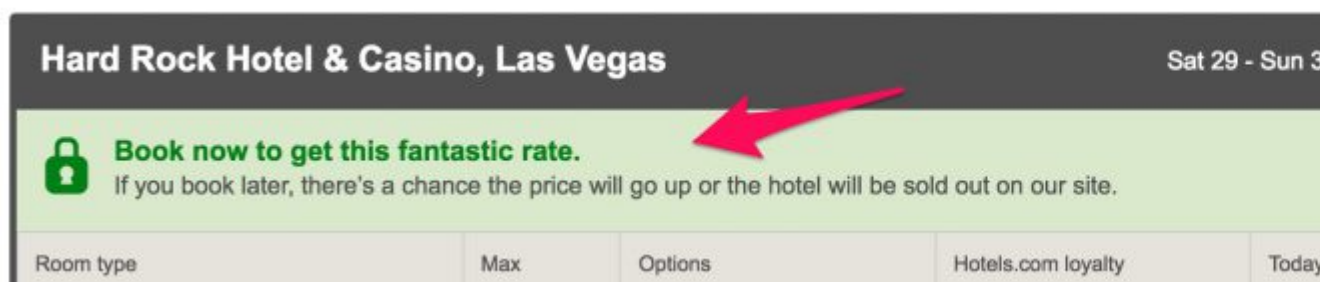
Nevertheless, you don't have to be a deals site nor Hotels.com to use this tactic. You can create time-limited offers in your own store, and also show the amount of stock left with the help of a few tools.

Just like with prince anchoring, the implementation of this tactic is simple, thanks to the large array of apps the Shopify app store has to offer. You only need to install one app, configure it, and let it work its magic.

The best apps to offer time-limited offers I have used are POWr Countdown Timer, by POWr.io, Scarcity, by Swank Apps, Hurrify, by Yousef Khalidi.

On the other hand, you can show your stock left straight from your Shopify theme. In the case of the theme company I use, Out Of The Sandbox, if you go to your product page tab inside your theme (**Online Store > Themes > Customize Theme**), you will find an option to show the stock left.

Article-Writing.Co

← 🏷️ **Product page**

- ☑ Show breadcrumb links
- ☐ Show tags
- ☑ Show type
- ☑ Show vendor
- ☐ Show collections
- ☐ Show SKU
- ☐ Show quantity box
- ☐ Show inventory remaining
- ☑ Enable "back in stock request" form
- ☐ Show related products (?)
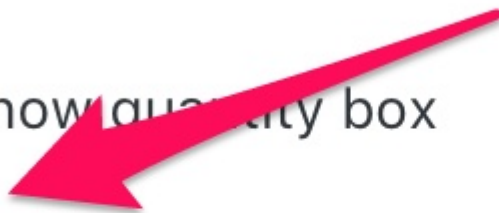
If you have low stock left, you should definitely show that to add scarcity. Low stock used together with the countdown timer is a 1-2 punch that will push your customers to purchase from you.

Conclusion

The 5 tactics shown in this article are the best ones to increase your average order value. This, as I explained, will help you increase your store's revenue and profits fast, without having to invest a lot of money upfront.

In the final article of this 3-part series, I will show you how increasing the order frequency can help you lower your acquisition costs while increasing your profits.

Have you ever tried any of the tactics below? If so, what was your experience? Let me know your thoughts in the comments below.