

Average order value (AOV) has always been a chief key performance indicator (KPI) for online retailers.

It's critical because low AOV creates pressure on order profitability and the fulfillment operation; high AOV provides greater leverage for the organization's operations. Marketers are constantly looking for the right balance between increasing a customer's AOV while minimizing the impact of temporarily pulling sales forward and over-spending on promotion.

The ultimate goal is to obtain the best of both worlds: having your customers increase their average order value during each visit while lowering promotional costs and making sure you haven't simply pulled sales forward. Together these allow you to clearly identify the right marketing investment to get there.



What tactics can retailers use to drive higher AOV?

- Minimum spend % or \$ off promotions
- Minimum thresholds for free shipping
- Merchandising block and tackle (cross-sell, up-sell, price anchoring, check-out impulse items)
- Financing promotions for bigger ticket items

Free shipping on minimum spend is a common and fundamental offer that today's consumer has become conditioned to expect. Financing promotions for bigger ticket items are ubiquitous, simple to communicate, and quite effective, but don't offer much differentiation in the marketplace.

Among the various AOV drivers, it is the "Spend X Get Y Off" promotions that garner the greatest opportunity. Here's why:



Technology and real-time predictive analytic capabilities give retail marketers the tools to develop an AOV strategy that goes far beyond routine promotional tactics. Nowadays, marketers can deploy a highly targeted offer that incorporates real-time data insights to get customers to incrementally increase their basket size. The advancements of machine learning and intelligent analytics have turned the incremental ROI guessing game into a thing of the past. It also nurtures the customer relationship by building more relevant interactions and treating them at the individual level, instead of just broad customer segments or site-wide promotions. The marketers' spend goes further, customers are more satisfied, and average order increases. That's a win/win for sure.

AOV Lift: temporary or truly incremental?

Percent off or dollar off promotions are indeed effective in driving AOV, but they can be costly to the marketer. Seeing lift during a promotion period is usually visible and viscerally satisfying, that is until the bill comes in. Further inspection typically reveals that a high percentage of customers were already spending at their threshold level before the promotion was launched...essentially rendering the spend as non-incremental (but incurring cost to the brand's marketing budget).

How do you drive AOV while maintaining frequency and other related KPIs?

If a promotion has simply pulled sales forward as a one-time occurrence, it's not **truly incremental**; it's simply a facade of initial lift from the promotion. So how do you address that?

This is where the customer experience comes in. By engaging the customer at the precise time along their purchase path, marketers can leverage in-session behavior data and tailor that customer's unique shopping experience in real-time, pushing them over the threshold to click "add to cart" with an incremental item.



The purchase will invariably deliver true incremental lift by buying deeper in the retailer's assortment...maybe something the customer always wanted, maybe something for a friend, but driving AOV nonetheless.

What solutions exist today for retailers?

The retail and loyalty space is jam packed with participants using the terms "personalization" and "customer engagement." Some help you understand social media impact, others help with user experience testing, but all are saying they are about the single most important element...relevancy. We all agree! It is about relevancy.

With so many players doing 'slices of this' or 'slices of that,' it is hard to know which solution is actually making a positive improvement to your business. Self-serve models are good if you have the time, talent and budget. But you likely prefer a solution that can be deployed easily, keep you informed and, ultimately, help you deliver better program performance in a highly attributable, measurable way. After all, how are you going to outperform the marketer working for your competitor who is struggling with the same issues without having an edge?

Relevancy is the key. Advanced personalization and one to one customer engagement strategies deliver a more relevant experience to your customers. Measurement is critical. Actual measurement of relevancy is somewhat indirect due to the highly individualized nature, but you can infer relevancy based on your customers' actions. Do they keep coming back? Are they buying more? Are they writing positive reviews? Look for the company that can provide a clear path to not only insights but to actions that drive attributable real time ROI.

"Relevancy is the key. State-of-the-art personalization and customer engagement deliver a more relevant experience for your customers."

The road to a single solution driving customer lifetime value is in our midst. If you'd like to learn more about driving true incremental performance and state-of-the-art relevancy, visit www.exchangesolutions.com today.

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