



The Ultimate Guide To Upselling

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Average customer value (ACV) is one of the most crucial indicators of success for a business. Not only is it an indication of a profitable business, but gives you valuable insight into your company as a whole.

In our latest ultimate guide, we will be covering why ACV is so important. We will also show you ten ways you can increase how much a customer spends. Afterwards, we will give you five general approaches to increasing ACV that you should always remember.

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- [Why Average Customer Value is Important](#)
- [10 Ways to Increase Your Average Customer Value](#)
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Let's get started

WHAT IS AVERAGE CUSTOMER VALUE?

First, let's start with the basics. Average customer value (ACV) is a key metric that measures the average revenue generated from a single customer over the course of their relationship with a business. It is a statistic that has gained relevance over the years as a business' ability to accurately track purchases over time has gotten [increasingly precise](#).

It provides valuable insights into the profitability and sustainability of a company's customer base. ACV takes into account not only the initial purchase but also recurring purchases, cross-selling, and upselling opportunities.

So, how exactly do you calculate your average customer value? It's actually quite simple: divide the total revenue generated by the number of customers.

This will give you the average amount of revenue each customer contributes to the business (ACV).

Here is the exact formula:

$$ACV = \text{Number of Customers} / \text{Total Revenue}$$

Of course, ACV will differ between businesses. Naturally, businesses that sell products people buy a lot of (toilet paper, for example) or higher priced products (jewelry or cars) will enjoy a higher ACV.

It's also important to keep in mind that certain business realities can make a clean calculation of ACV more complicated. Refunds weeks after purchase are a great example.



WHY AVERAGE CUSTOMER VALUE IS IMPORTANT



It's fairly obvious why your average customer value is important. Typically, the higher your ACV, the more money you make as a company. We all know the benefits of more cash!

That said, there are a number of additional benefits that come with a high customer value. Here are just a few:

REVENUE OPTIMIZATION

Typically, the process of increasing your ACV requires monitoring your numbers more closely. By focusing on increasing ACV, businesses can optimize their revenue streams and maximize overall profitability. This is one of the reasons that ACV is important. It's not just about increasing the amount of cash that customers spend, but the better understanding of your business as a whole that comes with it.

BETTER PLANNING

Pinpoint how much your average customer spends, and planning becomes so much easier. The fact is, cash flow is the lifeblood of any business. Lack understanding here, and you are shooting in the dark. But if you do know exactly how much money you are bringing in? In this case, you understand just about everything with greater precision: when you need to launch a new product, when you need to focus on [lead generation](#), and perhaps when you need to make cuts.

COMPETITIVE ADVANTAGE

Higher ACV often brings a huge competitive advantage. Businesses that enjoy a high ACV are able to invest more in customer acquisition and retention efforts. This creates a positive feedback cycle. A high ACV (and the efforts that you put in to get there) also gives you a number of valuable insights. These are insights that can be used over the long term for better business decisions. This includes pricing strategies, more sophisticated customer segmentation, and general resource allocation.

As we can see, a high ACV isn't only about making more money under any circumstance. Rather, it's about building a sustainable business that you understand and is in tune with the needs of the people you serve.

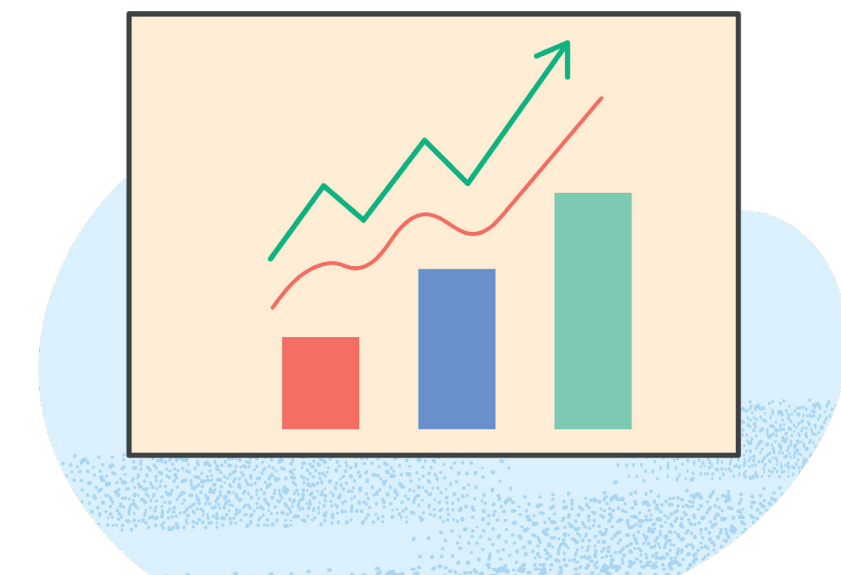
Let's now move to the most important section of this guide: our tips for increasing your ACV.

10 WAYS TO INCREASE YOUR AVERAGE CUSTOMER VALUE

1. Implement Cross-Selling and Upselling Strategies

Companies that implement [various upsells](#) increase their average earnings over time. The fact is, if you aren't selling your customers more, you are missing out on a ton of revenue. No need to worry about "selling too much"— people that have bought from you are the most likely to buy again.

The way you approach cross and upselling is important. Be sure that the things you are offering them are actually of interest. You also want to make sure that these additional products or services are [a natural connection](#) to what they already bought. This is where a lot of businesses go wrong.



2. Offer Loyalty Programs

One of the best ways to increase ACV is to get customers to stick around. And one of the best ways to do that? Loyalty programs. Reward loyal customers with exclusive discounts, perks, or rewards for repeat purchases. This has the effect of not only making them happier, but getting them to buy again and again.

There are many [loyalty programs](#) that you can learn from. Regardless of how you set it up, you want to make sure that your customers actually know that it's an option. No use creating a loyalty program if you are going to make it hard to find!

3. Personalize the Customer Experience

People are more likely to buy (and to continue buying) if they feel like they are being directly spoken to in your marketing. This is why personalization is so important. Data collection is one of the best ways to do this. This will allow you to personalize product recommendations and marketing messages based on customer preferences and behavior.

Just think about it: people buy things because they either want or need them. If you could make most of your offers directly relevant to their wants or needs, how much more would you sell? How much higher would your ACV be?

4. Provide Value-Added Services

What are some [additional services](#) you could provide to your customer? Which of these could be a natural complement to the product they already bought? The name of the game here is added value. Figure out how to provide this, and you have something else to charge them for.

Just like the upsell, the way you approach this is important. You want to make sure that the service you are offering is not only relevant to them, but a "natural next step" in the buying process. You also want to offer it at the right time.

5. Bundle Products or Services

Bundles are a great way to increase ACV. That's because people like "everything they need" in one convenient spot. Give people a good price, and you will incentivize customers to purchase more. [Your ability to create bundles](#) will vary. Typically you need at least two products, and if you do, it's worth a shot.

Remember to emphasize not only how much value somebody is getting from a bundle, but how much money they are saving. This is how you sell more products and increase your ACV.

6. Optimize Pricing Strategies

[Pricing strategies](#) is one of the most overlooked strategies for increasing ACV. It's easy to follow the same path as everybody else: make a product, keep the same price, and discount every now and then for special promotions. This is easy enough to run.

However, it also undermines your ability to increase ACV. Consider dynamic pricing, tiered pricing, or subscription-based models to maximize revenue potential. Like all the things here, it's important not to stay stagnant. Just because you have a system that works doesn't mean that it can't be improved.

7. Improve Customer Service

If you want to make more money, you have to have decent customer service. This is unavoidable. The fact is, bad customer service will cost you a ton of sales. The same is true of even subpar customer service. If you improve it, however, you are leaving your potential customers with a positive image of your company. The result? More sales, more often.

Another thing to keep in mind is that a [positive customer service experience](#) is an opportune time to sell more. There's a great chance that somebody reaching out to customer service has already bought. Assuming they have a question about the product or service they are using, your representative can naturally lead them to an additional purchase. Approach this with care!

8. Streamline the Purchasing Process

As we discuss with [web design](#), anything that complicates your user experience needs to be simplified. This isn't only relevant to your website, but your customer journey as well. Too many steps and people fall off. Too much confusion and people don't buy. Simplify the purchasing process and you reduce friction. This makes it easier for customers to buy, which grows your ACV over time.

Often, it's the company that is easiest to interact with that will get the sale. The fact is that peoples' attention spans are limited. You can't afford (quite literally) to distract them with anything else if you are trying to close them on a sale.

9. Promote Product Education

You want informed customers. These are people that know what they're getting when they buy from you, don't have too many questions, and have already had their doubts addressed. Education is how you do all three of these.

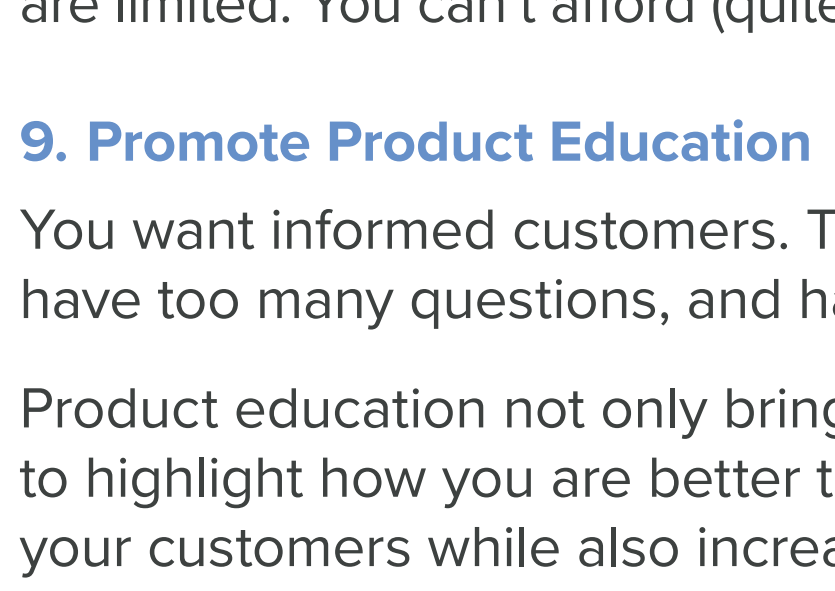
Product education not only brings in more customers, but assures them when they buy again. It's also a great way to highlight how you are better than your competitors. Do this with tact, and you strengthen your relationship with your customers while also increasing ACV.

10. Encourage Referrals

Your customers are often the best possible marketers for your products and services. They have bought before. That means they know how great your offerings are, as well as the problems they can solve. You can take full advantage of this with [a good referral program](#).

Do this right, and it's one of the best ways to increase your ACV. This assumes, of course, that people get something in return for bringing you referrals. The fact is, people need to be incentivized if you want them to act. What are some things your audience would enjoy getting, and how could you easily provide it to them? This is where you should start!

5 THINGS TO KEEP IN MIND



Follow the 10 tips above, and you will gradually increase the average amount that your customers spend. However, before you take action, it's good to keep a few things in mind. These are more general pieces of advice that will make all your ACV efforts more effective.

Understand these things, and you will set yourself up for continued success in everything you do on the customer end. Let's look at five of them.

CUSTOMER SATISFACTION

How satisfied your customers are is perhaps the best indication of a high customer value. That's because unsatisfied customers simply don't buy. They prioritize [customer satisfaction](#).

DATA ANALYSIS

Like most things in running a business, you stand to gain quite a lot from understanding your ACV data. After all, you can't improve something you aren't measuring. Be sure you regularly analyze customer data to identify trends. This is a great chance to get clear on ACV and what exactly you need to do to improve it.

CONTINUOUS LEARNING

The more you experiment and try to implement things that will increase your ACV, the more you fail. This is simply the game of business. More importantly, however, is that you are always learning about your customers. This gives you insight into what they actually want. As long as you are always learning, your ACV will have the tendency to increase over time.

LONG-TERM FOCUS

ACV is a long game. You don't want to focus on quick wins at the expense of greater success down the line. As we said at the beginning, cash flow is the life blood of any business. The fact is, if you aren't taking care of your customers over the long term, this cash flow simply isn't going to happen. Before you do anything, ask yourself a simple question: is this good for my audience [over the long-term](#)? If it's not — don't do it!

BALANCED APPROACH

Lastly, similar to the previous point, you need to strike a balance. For example, it's easy to think that raising your prices will naturally result in a higher ACV. But this isn't always the case. Higher prices often result in less customers, and people that are less likely to buy again. Higher ACV over the long term requires a balance between maintaining affordability and accessibility for customers.

CONCLUSION

Increasing average customer value is an important decision for any business. Assuming you approach it the right way, it's also a decision that can pay dividends long into the future.

We hope this guide helps you with your ACV. As always, even just a single piece of information here can get you better results. Develop a plan, act on it consistently, and a higher ACV is the natural result.

Good luck, and let us know if you ever have any questions!