Glew.

How Successful Ecommerce Leaders Use Their Data
Buying Order Spectrum Analysis

Buying Order Spectrum Analysis (BOSA)

Definition: The understanding of how to use a merchant's limited offering of products and services in the most profitable way possible

In other words: How do I use my limited offerings to attract the highest paying customers and to upsell those customers once acquired (ie, how do I use my limited amount of offerings to maximize the profitability for my business?)

Remember the two goals back from Video 2: Lifetime Value

1) **Attract the potentially highest paying (highest LTV) customers**
2) **Upsell those customers**

Questions BOSA can answer

In what order do my highest paying customers buy things from me?

What are the tastes of my highest paying customer base?

What is my company's comparative advantage?

Do free samples work?

How do I attract the highest paying customers?

How do I upsell my highest paying customers once I've acquired them?

How do I transition a "regular" customer to a "subscription" customer?

The Framework

Some products / services should be used to attract customers with the tastes that make upselling easier / cheaper

Some products should be used strictly for upselling

The more SKUs, the more of a grey area there will be in-between

High LTV Products

Should be used to attract the highest paying customers

Products that your highest paying (highest LTV) customers have the tastes for

Products with a relatively high amount of orders AND whose buyers have a relatively high LTV

Don't blindly present these products to customers first without thinking critically about your business. This analysis is an exercise in understanding your company's comparative advantage (what your compa is best at that other companies are not good at)
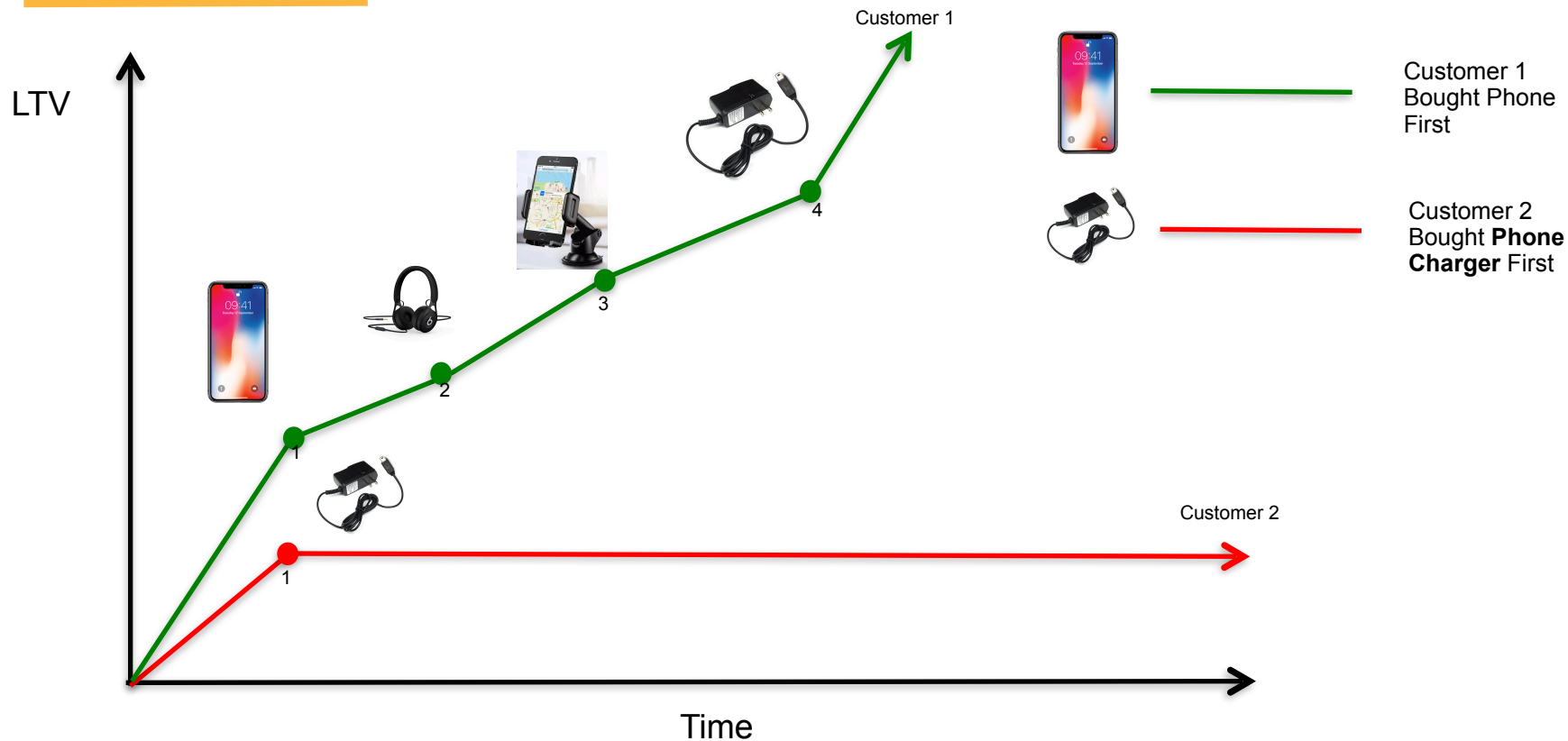
Low LTV Products

Should be used to upsell the highest paying customers

Products whose buyers have a relatively low LTV

Buying Order Spectrum Goal: Maximize LTV per Customer

Optimal Buying Order Spectrums: 3 Case Studies

Outdoor Wear Company

Middle Aged Woman's Clothing Company

Non-perishable Food Delivery Company

The Belt vs. Shoe Dilemma: Using the LPR / LR Ratio

Situation: A men's high-end shoe company watched this video, followed the directions but something didn't make sense

Problem: They are a men's high-end shoe company – BUT – the Highest LTV Products were the belts!

Does that mean that this men's high-end shoe company pivots from making shoes to concentrating on pushing belts?

NO!

Look at the Lifetime Product Revenue (LPR) / Lifetime Revenue (LR) Ratio

The Belt vs. Shoe Dilemma: LPR / LR Ratio

Lifetime Product Revenue (LPR) = All the money ever made off of a product ever

Lifetime Revenue (LR) = All the money ever made off of all the *people* who bought a product ever

Higher the LPR/LR Ratio (the close the ratio is to 100%), the more homogenous a group of customers' purchases have been

Lower the LPR/LR Ratio (the farther the ratio is from 100%), the more heterogeneous a group of customers' purchases have been

The Belt vs. Shoe Dilemma: LPR / LR Ratio

Figure 1: Glew > Products > List > **Wingtip Brown Shoe** > Purchase Customers > LPR and LR

<u>Wingtip Brown Shoe</u>
Lifetime Product Revenue: $29,850
Lifetime Revenue: $42,522
LPR / LR Ratio: 70%

Figure 2: Glew > Products > List > **Studded Brown Belt** > Purchase Customers > LPR and LR

<u>Studded Brown Belt</u>
Lifetime Product Revenue: $8,550
Lifetime Revenue: $53,668
LPR / LR Ratio: 15%

The Belt vs. Shoe Dilemma: LPR / LR Ratio

Wingtip Brown Shoe CLTV = $300
Wingtip Brown Shoe LPR / LR Ratio = 70%

Studded Brown Belt CLTV = $500
Studded Brown Belt LPR / LR Ratio = 15%

Conclusions:

-Customers with more expensive taste bought the Studded Brown Belt
-Studded Brown Belt was only responsible for ~15% of the overall cash spent with the store by the customers who bought that belt
-Conclusion is that the belts are a great upsell even though it has a higher CLTV than the shoes

Pro Tip: Place your SKUs into categories

Categories: Stand Up Desk Merchant Case Study

Glew has a client that sells stand up desks.

They have 3 *categories* of products: Desks, Chairs and Accessories.

This company enacts the BOSA for each category to avoid the Belt vs. Shoe dilemma.

What Desks do my highest paying customers have the tastes for? What SKUs should be used to upsell?

What Chairs do my highest paying customers have the tastes for? What SKUs should be used to upsell?

What Accessories do my highest paying customers have the tastes for? These will always be used to upse in their scenario

Subscription Acquisition

What customers do I turn to in my store to capitalize on my subscription strategy?

1. Look for your High LTV / High Order Products per usual > These customers like your store (they buy fr you a lot)

2. Look for High LTV / High Order Products that have a HIGH LPR/LR Ratio > These customers buy the sa thing over and over again

1 + 2 = Great Subscription Customers!

QUESTIONS?