

# Breadth: Cross-Selling Into Success

Cross-selling is one of the best ways to thrive in the cloud business

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Cross-selling is one of the major skills you need to move beyond the Build Stage and into the Breadth Stage of the [Cloud Awesomeness Roadmap](#). Whether you're an independent software vendor (ISV) or a reseller, mastering the ability to successfully cross-sell can help you better maximize your sales opportunities in the cloud market.

## What is cross-selling?

Cross-selling is a sales technique used to sell a customer additional products and services that are related or complementary to the products and services already being purchased.

When cross-selling, the salesperson can show a breadth of catalog by identifying products and services that meet additional, unfulfilled needs of the customer. Cross-selling can be done during the initial purchase or pitched to existing customers following the close of the initial sale.

As one of the most valuable sales tools, cross-selling occurs in every industry. This highly effective tactic transforms the sale of a single product into one of multiple products, bringing in repeat purchases and increasing the sales volume per customer.

Cross-selling is also a valuable strategy for customer development and customer relationship management,<sup>1</sup> as it widens the scope of the relationship and increases customer retention.

## Cross-selling vs. upselling

Cross-selling can sometimes be confused with upselling. Upselling encourages a customer to purchase an upgraded, more expensive version of the same product or service the customer is considering. It also includes persuading a customer to buy added features or a warranty along with the purchase. With cross-selling, the customer is encouraged to purchase products and services that are different, but from related product categories from the one being purchased.

## Examples of cross-selling

Consumers constantly face cross-selling in various industries. Phone companies try to sell cable or internet or both to their existing customers. Car insurance companies try to sell homeowners or renters insurance to their customers. The classic example of cross-selling is the fast food restaurant employee asking, “Would you like fries with that?”

But cross-selling also takes place more subtly, online. When customers view an item on an e-commerce website such as Amazon.com, the site displays a section titled “Customers who bought this item also bought.” If a customer is looking at rain boots, for example, the site suggests also buying rain jackets, wool socks, and umbrellas. This has proved to be a successful technique for Amazon, which generates 35% of its revenue from cross-selling.<sup>2</sup>

In cloud sales, when a customer is purchasing Microsoft Office 365, the ISV or reseller could cross-sell by encouraging the customer to also purchase Trend Micro security services, Dropbox cloud storage, or Acronis Backup services. In contrast, upselling could entail encouraging the customer to upgrade and purchase Microsoft Office 365 Business Premium.

## Benefits of cross-selling

Successful cross-selling results in your customers purchasing more products and services than they had originally intended to buy. This translates to more profits and improved customer relationships. Forrester estimates that up to 30% of e-commerce revenue comes from cross-selling and upselling.<sup>3</sup>

Cross-selling benefits resellers by significantly increasing sales productivity, with more value from the customer and maximized margins. Resellers get a bigger share of the customer’s wallet with lower costs and effort. Forbes points out that 90% of a customer’s value for a B2B company is actually obtained after the initial sale.<sup>4</sup>

The following are the principle benefits of cross-selling:

- **Higher revenue and profit:** Cross-selling boosts profitability by growing a larger annual recurring revenue (ARR) base while reducing the cost of sale for each new cloud solution sold. ISVs and resellers can sell more without using much more effort. The cost is also lower—5 times lower than the cost of selling to a new customer.<sup>5</sup> So cross-selling allows a partner to grow revenue at a much lower sales cost.

- **Increase in average order value (AOV):** With an increase in volume and in recurring revenue, the average order value (AOV) of a customer goes up as customers make additional purchases during one transaction.
- **Lower customer churn:** When a customer is buying multiple products, it's more difficult to price shop for individual products and switch to a competitor. Based on an analysis of the Ingram Micro Cloud reseller base, among low-churn (less than 10%) companies, 33% of customers purchased more than 1 product. Among high-churn (more than 20%) companies, customers purchased only 1 product. Lower churn rates lead to increased profits, and churn rates of less than 10% give companies 90% better ARR growth.
- **Greater customer satisfaction:** Cross-selling also gives ISVs and resellers an opportunity to help customers solve their problems. Customers feel understood and have their needs met, which improves customer service and leads to customer loyalty. Satisfied customers are more likely to refer other prospects.
- **Hike in customer lifetime value (LTV):** ISVs and resellers are up to 14 times more likely to sell to an existing customer than a prospect.<sup>6</sup> Again, this all leads to bigger profits.

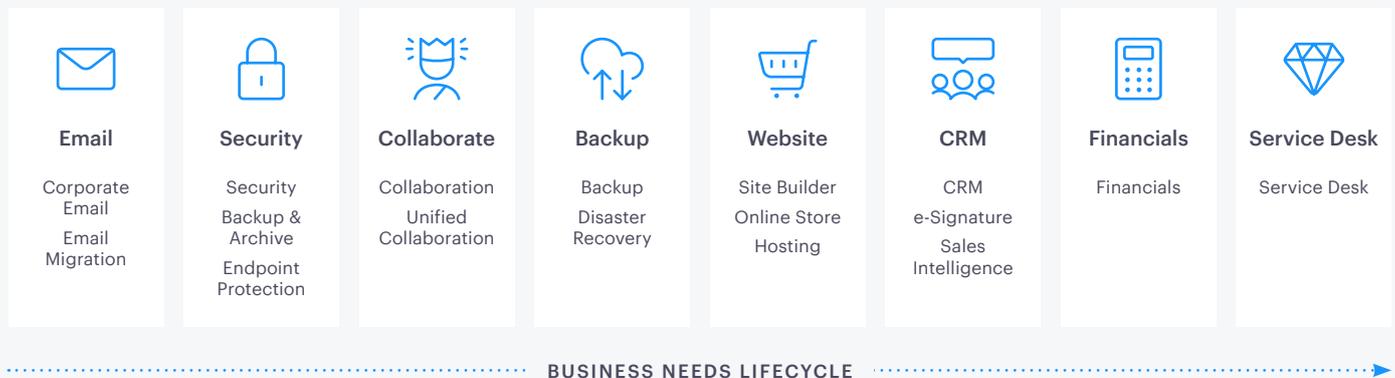
## How to cross-sell effectively

Successful cross-selling involves more than just selling additional products. It requires creating and implementing a thoughtful strategy and holistic plan tailored to individual customers. By getting to know customers and their needs, resellers and ISVs can build the right product mix to sell to customers.

Small businesses need to find the best solutions to optimize operations and maximize revenue. Resellers and ISVs can act as a trusted advisor to help their small business customers find the best solutions.

## 8 steps of the business needs lifecycle

By mapping out a typical small-business journey, resellers can effectively lead customers through the steps of the business needs lifecycle. These 8 progressive steps provide a template for resellers to identify solutions that complement each other and create the right bundle of services to customers.



Resellers start at the first step of the lifecycle (email) and can cross-sell by offering products within the same step or offering products from two consecutive steps. Communication is a critical need for any business, so buying email is the clear first step in the small business journey. Once customers have fulfilled the business needs of a particular step, they are ready to move on to the next step in the lifecycle.

For resellers, this means starting with Microsoft Office 365, which features corporate email. They can cross-sell it with BitTitan if the customer needs email migration or package it with Trend Micro to add email security.

By moving through the subsequent product categories, partners can expand their share of the customer's wallet step-by-step, while meeting the real and growing needs of their customers. According to [internal research](#), it's possible to move from \$2,000 to \$50,000 in annual recurring revenue (ARR) from a single customer with about 40 employees.

## Industry best practices

In addition to moving through the business-needs lifecycle, Ingram Micro has determined the following best practices to match products to customers on Cloud Marketplace.

- **Establish goals:** Resellers should establish goals and set KPIs to better measure the impact on revenue and the required marketing activities for cross-selling. Goals should be established for:
  1. Awareness – To increase awareness of your products, resources are needed to promote and educate the market about your brand. You'll need to create multiple touch points to boost awareness. An example of some touch points are websites. The KPIs would be visits to your website.
  2. Interest – The touch points are then translated into calls to action (CTA) to gauge interest. When customers show interest in a product, they also reveal their business needs. The CTA could be to download a PDF of product information. The KPIs would be the number of PDF downloads.
  3. Consideration – After noting the products in which the customer showed interest, the reseller then creates multiproduct bundles to meet the customer's needs. When customers show consideration in purchasing the bundle, they'll add them to their cart. The KPIs are multiproduct carts on your online store.
  4. Sales – The consideration of purchasing these bundles are then turned into sales. The KPIs are multiproduct sales.

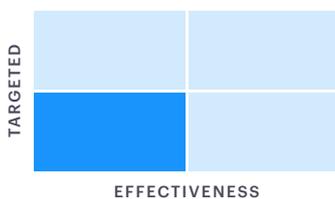
**Map products to customers:** The depth and breadth of cloud products on Cloud Marketplace make it challenging to granularly map the right products to the right customer. Resellers have 3 ways to align relevant cloud products to cross-sell solutions to specific customers:

### A. Pre-Set

A simplified package solution based on limited customer information, mainly customer size and/or industry.

Deliverables:

- Featured on your website
- Datasheets
- Brochures



### B. Custom

A solution recommendation tool based on input of customer firmographics and priority of business needs.

Deliverables:

- Integrated in the buying experience on your website

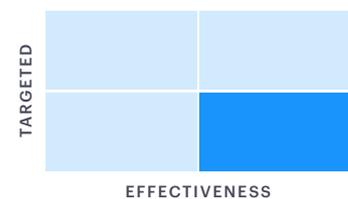


### C. Promotions

Bundled package promotions funded by vendors with discounts and rebates to resellers and/or end-customers.

Deliverables:

- Featured on your website
- HTML Emails



Solution bundles can be packaged by business size or by industry. For more on the recommendation tool, read on to the Cross-sell Calculator section.

## Cross-sell Calculator

Ingram Micro Cloud has developed a [Cross-sell Calculator](#) to help resellers determine a customized product or service offering to recommend to an existing customer. This tool can help resellers easily develop a customer journey based on the business needs lifecycle.

Using the Calculator, resellers answer a few questions about the customer, the products the customer already has, and the business needs of the customer. The Calculator then will provide a list of suggested products along with the projected annual margin.

The goal of cross-selling is to maximize margins, so the Cross-Sell Calculator is a valuable tool to determine the financial gains of cross-selling to a particular customer.

## **Other best practices of cross-selling**

In addition to the industry best practices, there are a few other general best practices for cross-selling.

Ingram Micro recommends that resellers establish a management system for cross-selling, with a target goal and incentives for cross-sales. The recommendation is that 30% of a reseller's revenue should come from cross-sales.

Sales and marketing teams should broaden their focus on existing customers to avoid leaving easy revenue on the table. The probability of selling to an existing customer is 60% to 70%, while the probability of selling to a new prospect is 5% to 20%.<sup>7</sup>

Existing customers are more willing to try new SaaS products that ISVs and resellers offer because the financial commitment is lower, implementation is easier, and they're already familiar with the model. In fact, existing customers are 50% more likely to try new products and spend 31% more, when compared to new customers.<sup>8</sup>

Pricing is also a factor in a sale. Another tactic resellers and ISVs can use in cross-selling is bundling products to offer a lower price, which makes them more attractive to customers.

## Cross-selling on the Cloud Awesomeness Roadmap

Resellers who successfully incorporate cross-selling into their business strategy will realize the previously stated benefits, which lead to overall growth and push resellers to Cloud Awesomeness. As Ingram Micro partners move along the [Cloud Awesomeness Roadmap](#), the approach to cross-selling progresses in each of the four stages.

- **Build stage:** These resellers are offering only 1 to 3 cloud products, so the ability to cross-sell isn't there yet.
- **Breadth stage:** Breadth-stage resellers are starting to see success in the cloud, and the big difference between this stage and the previous Build stage is cross-selling. Breadth-stage resellers know you can't make more money unless you offer more services, so they're selling 4 to 10 offerings. They're proactively bundling more products and see that cross-selling is a way to boost profitability. By integrating bundles into a single solution for a single price, resellers are simplifying the sale for their customers. For example, Breadth-stage resellers aren't just selling corporate email; they're also selling security and protection for the email as well as backup for the email.
- **Depth Stage:** These resellers are actively selling at least 10 cloud products, plus Infrastructure as a Service (IaaS). These partners are actively and creatively bundling products, and they're promoting and selling these solutions that customers want and need. As a result of their successful cross-selling, they have a lower churn rate and higher profitability than Build and Breadth stage resellers.
- **Scale Stage:** Scale-stage resellers are actively selling at least 10 cloud offerings, including IaaS, and they are continuing to build on their cloud offerings. They're applying just as much effort to cross-selling to existing customers as they are to acquiring new customers. These resellers are making cross-selling a priority because they know profits are higher when they can sell multiple products to each customer.

## Master cross-sellers

Master cross-sellers are adept at leveraging their existing customer relationships. They're selling a minimum of 10 solutions, and they understand the importance of including IaaS in cross-selling. They know their customers, their customers' business needs, and how to meet those needs with valuable solutions.

Selling to a new customer takes time. Resellers must get to know and understand the customer, build a relationship, and make the customer feel comfortable and confident. However, once a reseller has acquired the customer, it's much faster and cheaper to expand an existing customer from 1 cloud product to 6 products. In fact, new deals to existing customers close 40% faster than deals to new customers. This means that time to revenue is accelerated. In a monthly recurring business, this is key because resellers can start invoicing sooner.

## Pitfalls and challenges

While cross-selling can be highly profitable, 20% of cross-sales end up being unprofitable for the reseller.<sup>9</sup> You can avoid these unprofitable sales by knowing the red flags.

To determine if a customer represents a potentially profitable cross-sale, look at the customer's historical transaction data. Customers with histories of early terminations of contracts or overuse of customer service may end up eating into profits. Other potential problem customers are those who only buy at deep discounts or who have a fixed amount of spending at a given company.<sup>10</sup> By avoiding these bad apples, you could dodge potential losses.

As stated earlier, Ingram Micro recommends creating targets with sales incentives. However, resellers should reward their sales reps for profit or profit per customer, not on volume. For example, a firm can reward a sales rep for the number of products sold to a customer, rather than the amount of revenue. The customer could spend the same amount and just reallocate spending on more products, yet the sales rep could still reap the benefits of the incentive. By putting the incentive on profit, this ensures that the goal remains on profit, not volume.

Another potential challenge is the lack of knowledge about how to cross-sell, especially of how to bundle solutions, which can hold back a reseller or ISV from cross-selling. Many resellers also admit they don't like cross-selling during a managed service contract, fearing it will annoy or anger their customer. But using the business needs lifecycle, step-by-step industry best practices, and cross-sell calculator, resellers will have the guided assistance needed to get over these hurdles and effectively cross-sell.

## Getting started with cross-selling

If you're already an Ingram Micro Cloud partner and are interested in cross-selling more solutions, visit the product pages on the [Sales and Marketing Hub](#) to see products related to those you're already selling. You'll also find solutions playbooks and sales sheets to learn more about each solution. Contact your Ingram Micro Cloud sales rep to find out more at [cloud@ingrammicro.com](mailto:cloud@ingrammicro.com).

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### About Ingram Micro Cloud

At Ingram Micro Cloud, we view cloud not just as a single technology, but as a foundational platform to run and drive a whole new way of doing business. We help resellers and partners get up and running with cloud quickly, enabling them to transform their business. We help our clients monetize and manage the entire lifecycle of cloud services, infrastructure and IoT subscriptions, helping them simplify digital transformation with confidence, speed and agility. For more information, visit [IngramMicroCloud.com](http://IngramMicroCloud.com).

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