BIGCOMMERCE

The Strength of Average Order Value Can Help Ecommerce Stores Thrive



Business is booming and sales numbers are up. However, are you really maximizing revenue? That's a difficult question to answer. It's one thing to increase the volume of inventory sold. It's another to increase sales efficiency.

That's why key performance indicators (KPIs) such as Average Order Value (AOV) exist. AOV is a standard ecommerce metric that reflects the average total of every order placed over a defined period of time.

Across all ecommerce, the global AOV was more than $110 in September 2023.

For an online business, it's a KPI that shows how well you're connecting with customers across all products. Let's discuss why AOV is important and how to perform better in this important metric.

The significance of average order value

Perhaps the most critical reason why AOV is essential is that it can boost total revenue.

By increasing the average amount that customers spend per order, retailers can generate more income without necessarily attracting new customers. Increasing AOV is a more cost-effective strategy than trying to acquire new customers and shepherding them through the checkout process, which can be extensive and time-consuming.

Customer acquisition costs are typically greater than retention.

Additionally, AOV increases the lifetime value of an online store's customers. Customer lifetime value (CLTV) refers to the total amount of money a customer is likely to spend with a business throughout their lifetime.

By increasing AOV, you increase the CLTV of your customers, meaning that they will spend more money with your business over time.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

How to calculate AOV

AOV is calculated by dividing revenue by the total number of orders, with revenue defined as the sum of all sales made during a specific period. This produces the average dollar amount of each order.

Each business should benchmark itself against past performance, as well as its competitors. Other factors should be considered as well, like where your customers are finding you or what device they're using.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Strategies for enhancing average order value

Understanding what AOV is is the first step. You should also understand the factors that impact it and how it can have an influence on your pricing strategy and total revenue.

Upselling techniques.

Upselling can enhance your customer's perceived value and persuade them to make a more substantial purchase.

This is typically done through things such as comparison charts and other ways to visualize the value of buying a more expensive product. You may also research free shipping thresholds to encourage customers to add on more products per order or minimum order sizes.

Cross-selling opportunities.

There's also cross-selling, which involves encouraging customers to purchase complementary or related products with what they are already buying.

For instance, if a customer is purchasing a new smartphone, you can suggest complementary products like a phone case, screen protector, or external battery. Amazon is particularly good at encouraging the purchase of additional products.

Dynamic pricing models.

Dynamic pricing is a great way to attract customers and sell more products online. By adjusting prices on the fly, you can better meet the demands of a volatile market, all while keeping your customers happy and loyal.

However, when done wrong, this functionality can have disastrous consequences, such as eroding margins or devaluing brand and marketing efforts.

Loyalty programs.

Providing a customer loyalty program that offers incentives and rewards for repeat customers goes a long way in building brand affinity, customer retention, and encouraging repeat sales.

It adds another touchpoint with your customer base that helps bring them back to your store and enhances the customer experience for your most loyal customers.

Volume discounts.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Offering reduced prices on a per-unit basis or other incentives when buying over a certain number helps encourage customers to buy more.

Bundling products.

Bundles are a combination of related products sold at a lower price than they would cost individually.

For instance, if you're selling electronics, you can offer bundle packages like a TV, sound system, and gaming console. Product bundling and product recommendations are optimization opportunities for your product pages.

Targeted promotions.

These promotions are designed to appeal to a particular group of customers who are more likely to purchase from your store.

For example, create targeted promotions for first-time customers or those who have previously bought higher-cost items. You may consider these for mobile app users or social media followers only as a way to build interest in those channels.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Main challenges in increasing AOV

Everyone wants to have a high AOV, but not everyone knows why they may be lagging behind. These are common problems with trying to increase that average order value number.

Resistance to upselling and cross-selling.

Customers will balk at buying products they have no interest in. This can be avoided by offering discounts on bundles or recommending products that customers may be interested in based on their purchase history.

Customer backlash to price increases.

Nobody likes arbitrary price increases. If you're providing new or additional value for an established product, they may accept an increase in price. However, trying to sell an established product for an increased price without changing anything might not go over well.

Difficulty in personalizing offers.

Personalization involves creating unique shopping experiences for different customers based on their preferences and purchase history.

An effective strategy is providing customized recommendations, personalized email communications, and offering discounts and promotions based on customer behavior and purchase history.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

Leveraging website testing to optimize average order value

One of the first steps to maximizing average order value is doing a little self-scouting. Take a deep dive into your ecommerce store to determine what's working and what can be improved, then base your business decisions on those findings.

Formulate hypotheses.

The best first step here is to use the scientific method. What is something you think is true, but lack the data to back up? Come up with an idea that can be proven with facts and work to prove — or disprove — it.

Data collection methods.

This starts with a deep dive into the analytics. Whether you're using Google Analytics or an ecommerce-focused, real-time metrics suite, you should have the tools in place to track and collect the data you're looking for.

Analyze test results and implement changes.

This can sometimes require a unique skill set. Data scientists are best trained to tell the story behind data and drilling down to find actionable insights. The answers you find will guide any changes you make.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

The final word

Average order value should be considered a KPI for any ecommerce business. AOV can directly affect your business' revenue.

By encouraging customers to spend more, you can increase the overall revenue of your ecommerce store. The higher the AOV, the greater business profitability.

Invest time to analyze and track this metric regularly to gain insights and identify opportunities to optimize your ecommerce site. This can lead to increasing average order value and better profit margins.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE

FAQs about average order value

How does AOV vary by industry or market?

AOV data is a well-kept secret in many industries and online businesses, and it's rare to find industry data. However, based on the data we have available, industries such as home and furniture have a higher order value than pet care and veterinary services.

Should AOV be considered in isolation or in conjunction with other metrics?

As essential as AOV is, it is not a standalone metric that you can consider in isolation. It is one of the many metrics that you should analyze in conjunction with other metrics if you want to build a comprehensive picture of your overall business performance. Other KPIs such as cart abandonment rate, customer churn rate, or conversion rate should be considered as well.

How does cart abandonment rate relate to AOV?

The higher the AOV, the more likely customers are to abandon their shopping carts. This happens because customers usually want to make sure of a purchase when the amount is high. Ecommerce stores should be aware that customers need more time to make their decisions on a higher AOV order.

Growing your high-volume or established business?
Start your 15-day free trial, schedule a demo or give us a call at 1-866-581-4549.

BIGCOMMERCE