

## Executive Summary

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### **Up- and Cross-selling to Repeat Customers: Empirical Evidence from Optical Retail**

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By examining repeat purchases, we study the effect of customer loyalty on the ability to up-sell. Using an extensive dataset from optical retail including the sales activities of more than 410 opticians over 20 years, we track and analyze customer purchases using catalogue and invoice prices, depth of discount and gross profit. We find that the first repeat purchase results in deeper discounts and lower prices, thus decreasing the gross profit. In contrast, the subsequent repeat purchases allow retailers to up-sell customers by shifting them towards products with higher prices and profits. Additional purchases deepen the discount at a constant rate and the other variables show decreasing positive marginal effects. Finally, our results suggest that the effect of repeat purchases on discount depth varies between regular and cross-selling activities, with deeper marginal increases to discount for products sold through cross-selling.