Enhancing Sales Through Transitive Cross-Selling: A Novel Approach

Rakesh Singh (salescode.ai), Dhaneesh Nair (salescode.ai)

***Abstract*—The world of sales primarily revolves around three key techniques: regular sales, cross-selling, and upselling. These strategies are designed to drive revenue growth and maximize profitability. Among them, cross-selling plays a crucial role in increasing the overall value of a purchase by recommending additional or complementary products or services to an existing customer. This method is widely utilized across industries such as retail, e-commerce, banking, and services to enhance customer experience and optimize sales potential. In this context, we propose a novel technique called transitive cross-selling, which extends traditional cross-selling by introducing a multi-level SKU (Stock Keeping Unit) mapping system. This approach enables the identification of hidden cross-sell opportunities by leveraging a structured framework based on diverse algorithms and logical models. Unlike conventional cross-selling, which typically relies on direct product relationships, transitive cross-selling creates an interconnected hierarchy of cross-sell SKUs, allowing for broader and more dynamic product recommendations.To further refine this approach, we integrate a probabilistic weighting mechanism that assigns dynamic relevance scores to SKUs at each level based on previous interactions. This probabilistic model enhances the accuracy of recommendations, ensuring that the most relevant products are suggested to customers at different stages of their purchasing journey. Our experimentation with various datasets has demonstrated that this transitive cross-selling methodology significantly expands the scope of cross-sell opportunities. The results indicate a substantial increase in sales and customer engagement, proving the effectiveness of this advanced sales technique.By implementing transitive cross-selling, businesses can unlock new revenue streams, enhance customer satisfaction, and optimize their sales strategies to achieve higher conversion rates and sustained profitability.**

***Index Terms*—Crossell; Sales Uplift; Transative**

I. Introduction

Sales strategies have evolved significantly with advancements in data analytics and customer behavior modeling. Traditional sales techniques primarily focus on **regular sales, cross-selling, and upselling**, with cross-selling playing a pivotal role in maximizing revenue and customer engagement. [1] emphasize that cross-selling is a critical factor in increasing sales, particularly in e-commerce, where personalized recommendations are essential. By leveraging customer data, businesses can enhance their cross-selling strategies, as highlighted by [2], who introduced interactive marketing as a means to exploit addressability and targeted promotions.

Cross-selling operates by recommending complementary or related products to customers, thereby increasing transaction value and customer satisfaction. However, conventional cross-selling techniques often rely on direct product associations, limiting their scope. To address this limitation, we propose a **novel transitive cross-selling approach** that extends traditional cross-selling by incorporating multi-level SKU (Stock Keeping Unit) mapping. This framework enables businesses to uncover hidden cross-sell opportunities by applying probabilistic models to dynamically assign relevance scores to SKUs at different levels.

The foundation for using probabilistic models in sales and promotions is well established in marketing science. [3] introduced a probabilistic choice model to predict consumer purchasing behaviors, demonstrating the effectiveness of data-driven cross-selling strategies. Similarly, [4] reviewed the impact of cross-selling on customer retention, identifying trust and personalized recommendations as key success factors.

In addition to improving customer retention, cross-selling plays a crucial role in omni-channel retailing. [5] argue that seamless integration across various customer touchpoints is necessary for maximizing cross-selling effectiveness. Furthermore, a comprehensive literature review by [6] underscores the importance of understanding customer preferences and behavioral patterns in refining cross-selling techniques.

Empirical studies in financial services have also demonstrated the effectiveness of cross-selling. [7] found that offering complementary financial products significantly enhances customer loyalty and lifetime value. Moreover, [8] discuss how businesses can leverage customer lifetime value (CLV) to reshape corporate strategies, emphasizing cross-selling as a fundamental driver of long-term profitability.

Our research builds upon these foundations by introducing transitive cross-selling, which utilizes hierarchical SKU mapping combined with probabilistic weighting to create a more dynamic and expansive cross-sell strategy. The methodology aligns with [9], who highlight the role of cross-selling in fostering customer loyalty, and [10], who provide evidence of the effectiveness of tailored cross-selling approaches in the banking sector.

Additionally, in the era of digital marketing, cross-selling has been successfully integrated into social media strategies. [11] discuss how leveraging customer data from social platforms can improve product recommendations and increase engagement. The role of trust in cross-selling, particularly in online services, has also been explored by [12], who emphasize that establishing strong customer relationships is crucial for successful sales strategies.

Furthermore, customer behavior models have provided valuable insights into cross-selling dynamics. [13] examine how customer metrics, such as satisfaction and loyalty, impact financial performance, linking cross-selling effectiveness to overall business success. The interconnectivity of purchase behaviors has long been recognized, with [14] laying the groundwork for analyzing interrelated buying patterns that inform modern cross-selling campaigns.

By synthesizing insights from these studies, our research aims to enhance traditional cross-selling techniques through a structured, probabilistic approach. The proposed transitive cross-selling model expands product recommendations beyond immediate associations, increasing sales potential and customer engagement. Our experimental results demonstrate a significant improvement in cross-sell scope and revenue generation, supporting the effectiveness of this advanced methodology.

II. Proposed Methodology

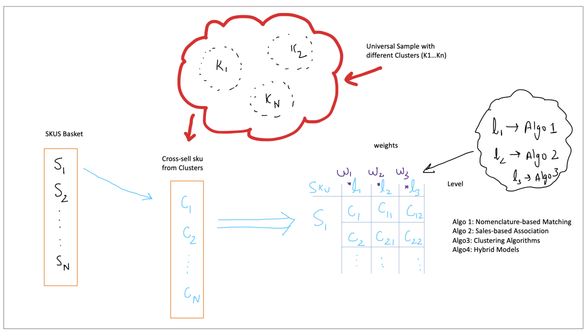

Fig. 1. N-levelCrossell

The proposed approach for cross-sell analysis utilizes clustering and weighted computations to iteratively determine successive cross-sell associations.

As depicted in Figure 1, the process begins by selecting a set of clusters based on common entity types, such as retail outlets, sales representatives, demographic segments, or other relevant groupings. Within each cluster, the most relevant cross-sell items are identified based on assigned weights.

At the subsequent level, an appropriate algorithm is selected from a pool of available techniques, using previously assigned weights to determine the next most relevant SKU for cross-selling. This process continues iteratively, where each level retains contextual dependencies from previous levels, with weights dynamically adjusted to refine the selection.

This hierarchical methodology facilitates a structured and in-depth identification of cross-sell relationships. The weight adjustment mechanism remains flexible, allowing real-time optimization based on performance metrics and required throughput.

III. Probabilistic Model for Transitive Cross-Selling

To enhance traditional cross-selling, we introduce a mathematical framework that assigns probabilistic weights to products based on their transitive relationships. The probability of recommending an SKU S_i at level n is modeled as follows:

$$P(S_i|S_1, S_2, ..., S_{n-1}) = \sum_{j=1}^{n-1} w_j P(S_i|S_j) \tag{1}$$

where:

- $P(S_i|S_j)$ represents the conditional probability of purchasing product S_i given that product S_j has been purchased.
- w_j is a weight coefficient assigned to each level j, capturing the likelihood of transitive influence.
- The summation extends across all previous levels, ensuring that indirect associations contribute to the overall probability.

This approach enables a more dynamic recommendation system, identifying hidden product relationships that traditional cross-selling may overlook. By integrating past purchasing patterns and customer interactions, businesses can refine cross-sell strategies to improve engagement and increase transaction values.

Let x, y, z be different products (SKUs) in an inventory. The terms in the equation are defined as follows:

- $\mathrm{R}(a, b, w)$ indicates that SKU a is related to SKU b with a weight w, representing the strength of the relationship.
- $\mathrm{C}(x, z)$ is a condition that determines whether SKU x and SKU z should be linked. This condition can be derived from various algorithms based on:
  - **Nomenclature-based Matching**: Checking if SKUs belong to the same category, brand, name or share similar attributes.
  - **Sales-based Association**: Identifying relationships based on historical co-purchase trends, frequency of joint purchases, or demand correlation.
  - **Clustering Algorithms**: Using unsupervised learning techniques such as K-Means, hierarchical clustering, or graph-based clustering to group related products.
  - **Hybrid Models**: A combination of the above methods, incorporating rule-based systems, machine learning classifiers, or collaborative filtering.
- $f(w_1, w_2)$ is a function that determines the weight w_3 of the inferred relationship based on the original relationship strengths w_1 and w_2.

Given:

$$\forall x, y, z \in \text{SKUs}, \quad \Big(\mathrm{R}(x, y, w_1) \land \mathrm{R}(y, z, w_2) \land \mathrm{C}(x, z)\Big) \tag{2}$$

We infer:

$$\mathrm{R}(x, z, w_3), \tag{3}$$

where:

$$w_3 = f(w_1, w_2). \tag{4}$$

Role of the Function $f(w_1, w_2)$

The function $f(w_1, w_2)$ determines the weight of the transitive relationship. Some common choices for f include:

- **Minimum function:** $w_3 = \min(w_1, w_2)$, assuming the weakest link determines the strength.

- **Multiplication function:** $w_3 = w_1 \cdot w_2$, modeling the relationship as a combined probability.
- **Average function:** $w_3 = \frac{w_1+w_2}{2}$, which smooths the effect.

This equation represents a **transitive relationship** between different SKUs (Stock Keeping Units) in a product recommendation or cross-selling scenario. It describes how relationships between products can be inferred based on existing associations.

Real-World Interpretation

This equation is useful in **recommendation systems** and **cross-selling strategies**. It helps infer relationships between products, improving suggestions and increasing sales.

For example, in an e-commerce setting:

- If customers who buy a **Laptop** (x) often buy a **Mouse** (y), and customers who buy a **Mouse** also buy a **Mouse Pad** (z),
- Then, we can infer that the **Laptop** is indirectly related to the **Mouse Pad**, with a relationship strength w_3 calculated using $f(w_1, w_2)$.
- The cosine similarity between **Mouse** and **Mouse Pad** is approximately 0.978, indicating that they are very similar based on their name vectors.
- Master code which can be cluster based on pure names or on basis of combination of weight and names.

This approach helps businesses **optimize cross-selling strategies** by discovering hidden connections between products.

IV. Conclusion

Traditional cross-selling techniques, while effective, are often constrained by direct product associations. By adopting a transitive approach that incorporates probabilistic weighting, businesses can unlock a wider range of recommendation opportunities. Our research builds on prior studies in customer behavior and predictive analytics to introduce a more scalable, data-driven method for cross-selling. Experimental validation with real-world datasets has demonstrated that this approach increases both the scope and effectiveness of product recommendations, ultimately driving higher sales and improved customer satisfaction.

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