

Bundle Products and Services for Profits

Mark Smallwood (August 2007)

An insight into bundling products and services to increase sales and profits

Bundling products or service offerings can be a great way to:

- Seed your existing market with a **new product** without an expensive sales program.
- Create a new market for an **existing product** in combination with a new product.
- Clear inventory of **current versions** in preparation for new versions of products.
- Extend the life of one or more flagging products.

While this has been a staple of marketing in the software business for years, it can also work for other types of products and services.

To be fair, bundling already works well in other businesses too: hair care products are often sold in bundles of shampoo and conditioner; books and music CDs are sold in sets; dishes are offered with accompanying accessories.

What Is a Bundle?

What makes a bundle, well, a bundle? Generally, a bundle consists of *two or more products* that either share some characteristics or that can be used to solve different problems for the same target customer. I've already mentioned some of the more obvious examples, but let's consider some not so obvious examples.

Professional Organizers Example

If you sell your services as a clutter coach or a professional organizer, you might consider bundling a few products with your services:

- Filing cabinets
- Shelving units
- Desk accessories
- Office supplies
- Cleaning supplies

Of course, these are products that would be easy enough for the client to obtain on their own, but why not add these to your offering? You can deliver the products to your clients when you come to perform your consulting duties, saving your client a trip or even saving them from ordering the wrong supplies or too many, not enough, and so on.

You may even be able to forge a deal with an office supply company to provide you the products at a discount. Or look for suppliers who might be willing to *private label* supplies using your logo and company name.

The Common Computer Hardware Example

When you sell computer equipment and installation to a small company, why don't you bundle in a service package that provides monthly cleaning, backup, and troubleshooting service? Bundle in training. Offer a

supply of blank DVDs or online storage for backup. How about cleaning supplies, and laser printer paper?

You know that your customers will be using these products, so why not provide them as a convenience. Save your customers the trouble of ordering the items from another vendor.

One of the problems I can already hear you bringing up is, "But we already offer a service contract and we can't get people to take it."

Of course not! We all hate being nicked-and-dimed, which is why extended warranties and service contracts have such a bad reputation. If you built enough profit into your products and services, you could simply provide the service contract as part of the deal, and even call it a free bonus. Spread the cost out across your entire product line and it won't raise your prices much. And you'll make up the added expense through regular upselling opportunities.

Software Examples

A friend of mine once wrote and sold a software program that helped companies monitor and identify performance bottlenecks in their database applications. Once a customer knew where the problem was, he could write a script to fix the problem. My friend wrote twenty-five scripts that would fix the most common performance problems in the most popular databases. As an

About the Author

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incentive, he would provide those scripts to anybody who purchased his product within a certain time limit.

Issues to Keep in Mind

If you decide to bundle two or more products, keep the following issues in mind:

- If you discount your bundle relative to the cost of the individual components, make sure that you don't discount so much that you actually lose money on one or more components.
- If you charge more for the bundle than the customer would pay for the component parts, add value by including a booklet or some type of service.
- Make sure your follow-up procedures are in place. If you offer ongoing service, you must be prepared to provide that service consistently. If you offer products that need to be replenished, make terms of the arrangement clear to the customer: if you will charge for the replenished products, obtain approval up front.
- Keep packaging simple unless you intend to create a long term product that will need its own packaging. Often, software product bundles have their own special packaging, the Leaky Faucet First-Aid Kit probable won't.

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