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SAF WebBlast

20 minutes of intense online learning. 10 minutes of Q&A.

The Power of Pricing

Episode 2
Bundling: The Huge Upside to Selling Packages

Wednesday, June 17, 2015
1:00 - 1:30 p.m. Eastern

Bundle/Package Selling

We're going to talk about selling bundles or packages, the processes of moving towards that (bundling), away from it (unbundling), and the advantages of each. Just like the charm pricing we discussed two weeks ago there are pros and cons to both, and a time and place for each.

We're also going to go over some related terms. This is a little more complicated than the charm pricing and we have to lay some groundwork.

Wait...

...isn't this supposed to be about flowers?

We're also going to look at some other industries that have nothing to do with flowers, and examine how they approach bundling and unbundling. There's a reason for this. We look at the flower business as vendors, and we see everything as people who understand the costs. Today we need the customers perspective, so we'll look at other industries where we're buyers rather than sellers. Understanding how we feel about the bundling or unbundling of products we buy will help us understand the perspective of the people who buy from us. Please be patient.

Product Bundling: The practice of combining multiple products and selling them at a single price.

Also known as package selling, this is the practice of combining more than one product and selling them at a single price. Often referred to as a combo, package or some other kind of deal.

Classic Combos

Includes regular soft drink and your choice of fries or rings. A **LARGE** soft drink is only 20¢ more! Add cheese, slaw, extra chili or lettuce and tomato for only **39¢**

1		2 Chili Dogs	6.99	5		2 Chili Burgers	6.59
2		Chili Cheese Dog & Chili Cheeseburger	7.57	6		2 Naked Dogs	6.21
3		Glorified Bacon Cheeseburger	6.14	7		2 Slaw Dogs	6.99
4		Bacon Double Cheeseburger	6.30	8		Grilled Chicken	7.02

We see this everywhere. Most of us probably think of fast food first.

EVOO BISTRO	
<p> APPETIZERS</p> <p>CALAMARI 11 <i>banana art, parsley, capers</i></p> <p>HEIRLOOM TOMATO AND MOZZARELLA SALAD 11 <i>heirloom tomatoes, olive oil, basil</i></p> <p>FRESH & GORGONZOLA SALAD 11 <i>heirloom tomatoes, gorgonzola, parmesan, olive oil</i></p> <p>SOUP DU JOUR 8</p> <p>TEMPURA SHRIMP LOLLIPOPS 12 <i>potato starch</i></p> <p>WARM GOAT CHEESE SALAD 11 <i>warmed tomatoes, arugula</i></p> <p>CACONNE SALAD 10 <i>stuffed portobello, broken crostini</i></p> <p>MINICH SALAD 10 <i>stuffed portobello, arugula, olive oil, balsamic vinegar</i></p>	<p style="text-align: center;"><i>Prix Fixe Menu</i></p> <p style="text-align: center;"> \$29 THREE COURSES</p> <hr/> <p>Course Salad <i>stuffed portobello, broken crostini</i></p> <p>SOUP DU JOUR <i>potato starch</i></p> <p>Tempura Shrimp Lollipops <i>potato starch</i></p> <hr/> <p>Grilled Organic Salmon <i>stuffed portobello, arugula, olive oil, balsamic vinegar</i></p> <p>Pappardelle Bolognese <i>fresh beef, parmesan</i></p> <hr/> <p>Prosciutto & Mozzarella Stuffed Pork Chop <i>warmed garlic potatoes, herb jus</i></p> <hr/> <p>Garlic / Apple Tart</p>
<p style="text-align: center;"> ENTREES </p> <p>GILLED ORGANIC SALMON 24 <i>stuffed portobello, arugula, olive oil, balsamic vinegar</i></p> <p>SHRIMP PUA DRAYALO 20 <i>linguine, garlic, olive oil, basil</i></p> <p>FRESH TURTLE & MOZZARELLA STUFFED PORK CHOP 24 <i>warmed garlic potatoes, herb jus</i></p> <p>PAPPARDELLE BOLOGNESE 18 <i>fresh beef, parmesan</i></p> <p>BEEF STEIGANOFF 22 <i>warmed tomato</i></p> <p>WILD ALASKAN HALIBUT 29 <i>medicinal tomato risotto, herb sauce</i></p> <p>BRAISED COLORADO LAMB SHANK 26 <i>warmed spinach, tomato jus</i></p> <p>GILLED MAHI MAHI 24 <i>stuffed portobello, arugula, olive oil, balsamic vinegar</i></p> <p>CORNISH BEATLEAF 16 <i>garlic, olive oil, parmesan, tomato, herb jus</i></p> <p>GILLED OUP BLACK ANGUS FILET MIGNON 27 <i>fresh beef, herb sauce</i></p>	<p style="text-align: center;"></p> <p style="text-align: center;">SIDES </p> <p style="text-align: center;">&</p> <p style="text-align: center;"><i>Garlic Mashed Potatoes</i></p> <p style="text-align: center;"><i>Spinach</i></p> <p style="text-align: center;"><i>Grilled Asparagus</i></p> <p style="text-align: center;"><i>French Fries</i></p> <p style="text-align: center;"><i>Herb Pot</i></p> <p style="text-align: center;">☆☆☆☆</p>

Here's an example from a nicer restaurant. It shows two different examples of bundling – in the Prix Fixe section (upper right) and the Entrees section (lower left). The entrees are bundles because they typically include a main (like the halibut) and a side (like the accompanying the risotto). This is bundling.



signature steaks & chops

- FILET***
tender center-cut tenderloin beef, 11 oz cut 44
- PETITE FILET***
equally tender 8 oz filet 36
- COWBOY RIBEYE***
bone-in 22 oz USDA Prime cut 50
- PETITE FILET AND SHRIMP***
rare 4 oz medallions with large shrimp 44
- PORTERHOUSE FOR TWO**
thick bones of a strip, tenderloin of a filet, 40 oz USDA Prime cut 89
- NEW YORK STRIP***
USDA Prime, full-bodied 16 oz cut, slightly firmer than a ribeye 40
- T-BONE***
full boned 24 oz USDA Prime cut 52
- LAMB CHOPS***
three-ounce thick chops, marinated overnight, with fresh rose 45
- RIBEYE***
USDA Prime 16 oz cut, well marbled for peak flavor, deliciously juicy 44

*all filets served to order
*steaks are served rare or well-done, as requested, or as requested, containing one or additional meats, poultry, seafood, shellfish or eggs may increase size of portion size.



potatoes

- AU GRATIN**
thick sliced potatoes with a three cheese sauce 9
- BAKED** cut to, fully loaded 9
- MASHED** with a hint of natural garlic 9
- FRENCH FRIES** classic cut 9
- SHOESTRING FRIES** extra thin and crispy 9
- SWEET POTATO CASSEROLE** with pecan crust 9
- LYONNAISE** sautéed with onions 9

vegetables

- SPINACH AU GRATIN** 9
- FRESH ASPARAGUS & HOLLANDAISE** 11
- SAUTÉED MUSHROOMS** 9
- BROILED TOMATOES** 9
- ONION RINGS** 9
- SAUTÉED SPINACH** 9
- CREAMED SPINACH** 9
- BROCCOLI AU GRATIN** 9
- FRESH BROCCOLI** 9
- GREEN BEANS WITH ROASTED GARLIC** 9

*all filets served to order

The idea of an entree actually being a bundle might seem a little strange until you look at the menu from Ruth's Chris where everything is a la carte – you choose a protein and what would normally be sides like potatoes and vegetables separately. This is the way this restaurant prices most of the time.



OUR DELICIOUS
**SEASONAL
PRIX FIXE**
MENU MAKES ONE EXTRAORDINARY
MEAL

MULTI-COURSE | **\$42⁹⁵ or \$52⁹⁵***
SEASONAL DINNERS

* Price based on entree selection

CLICK HERE TO VIEW THE MENU 

Sometimes however they offer a bundle like this. Take a quick look at the prices shown – when they do offer bundles they’re using charm pricing.

RUTH'S CLASSICS
Enjoy a complete meal that includes a starter, entrée, personal side and dessert.

STARTERS: Chicken Tortilla Soup (370 cal) or Arugula, Mandarin & Crispy Prosciutto Salad (460 cal) or
Steak House Salad (50 cal) or Caesar Salad (500 cal)

<p>49.95</p> <p>Almond Crusted Chilean Sea Bass (940 cal) 6 oz Filet* & Lobster Tail Rockefeller (610 cal) Ribeye* (1370 cal) Filet* (500 cal)</p>	<p>40.95</p> <p>Blackened Sea Scallops over Cheesy Polenta Cakes (390 cal) Stuffed Chicken Breast (630 cal) 6 oz Filet* & Shrimp (470 cal)</p>
--	--

SIDES: Creamed Spinach (440 cal) or Garlic Mashed Potatoes (440 cal) or Sautéed Mushrooms (200 cal) or
Green Beans with Roasted Garlic (170 cal) or Garlic Sautéed Broccolini (210 cal)

SYMPHONY DESSERT: Chocolate Sin Cake & Fresh Berries - rich and sinful flourless chocolate cake (570 cal)

We see it again here...



RUTH'S CHRIS STEAK HOUSE

*Valentine's Day
Dinner for Two*

Enjoy a three-course meal for two featuring two starters, two entrees, two side dishes, and one dessert to share.

FIRST COURSE YOUR CHOICE OF TWO STARTERS

LOBSTER BISQUE
CAESAR SALAD
LETTUCE WEDGE

ENTRÉE YOUR CHOICE OF TWO ENTRÉES

PETITE FILET
MIXED GRILL
TWIN STUFFED TAILS

SIDES YOUR CHOICE OF TWO PERSONAL SIDE DISHES

BAKED POTATOES
CREAMED SPINACH
SAUTÉED MUSHROOMS

DESSERT YOUR CHOICE OF ONE TO SHARE

WARM APPLE TART
CHOCOLATE MOLTEN CAKE
CHEESECAKE WITH FRESH BERRIES

\$9 per couple

No substitutions, please.
Offer does not include tax and gratuity.
Offer may not be combined with coupons, discounts or other offers.

...and here.

RUTH'S CHRIS STEAK HOUSE
Valentine's Day Dinner for Two

Enjoy a three-course meal for two featuring two starters, two entrees, two side dishes, and one dessert to share.

FIRST COURSE YOUR CHOICE OF TWO STARTERS

LOBSTER BISQUE
CAESAR SALAD
LETTUCE WEDGE

ENTRÉE YOUR CHOICE OF TWO ENTRÉES

PETITE FILET
MIXED GRILL
TWIN STUFFED TAILS

SIDES YOUR CHOICE OF TWO PERSONAL SIDE ITEMS

MASHED POTATOES
CREAMED SPINACH
SAUTÉED MUSHROOMS

DESSERT YOUR CHOICE OF ONE TO SHARE

WARM APPLE TART
CHOCOLATE MOLTEN CAKE
CHEESECAKE WITH FRESH BERRIES

\$99 per couple

No substitutions, please.
Offer valid 1/10/14 only for dine-in & carry-out.
Offer may not be combined with coupons, discounts or other offers.

signature steaks & chops

FILET*
tender center-cut tenderloin beef, 11 oz cut 44

PETITE FILET*
equally tender 8 oz file 38

COWBOY RIBEYE*
bone-in 22 oz USDA Prime cut 50

PETITE FILET AND SHRIMP*
one 4 oz medallion with large shrimp 44

PORTERHOUSE FOR TWO
rich bones of a strip, tenderloin of a file, 40 oz USDA Prime cut 80

NEW YORK STRIP*
USDA Prime, full-bodied 16 oz cut, slightly firmer than a strip 46

T-BONE*
full boned 24 oz USDA Prime cut 52

LAMB CHOPS*
three-ounce dish chops, marinated overnight, with fresh rosemary 45

RIBEYE*
USDA Prime 16 oz cut, well marinated for peak flavor, deliciously juicy 44

*only available to eat

*Some steaks may be substituted, or may contain one or two additional ingredients, depending on an individual menu. Prices subject to change at any time without notice.

potatoes

AU GRATIN
thick sliced potatoes with a three cheese sauce 9

BAKED one lb, fully loaded 9

MASHED with a hint of roasted garlic 9

FRENCH FRIES classic cut 9

SHOESTRING FRIES extra thin and crispy 9

SWEET POTATO CASSEROLE with pecan crust 9

LYONNAISE marinated with onions 9

vegetables

SPINACH AU GRATIN 9

FRESH ASPARAGUS & HOLLANDAISE 11

SAUTÉED MUSHROOMS 9

BROILED TOMATOES 9

ONION RINGS 9

SAUTÉED SPINACH 9

CREAMED SPINACH 9

BROCCOLI AU GRATIN 9

FRESH BROCCOLI 9

GREEN BEANS WITH ROASTED GARLIC 9

*only available to eat

The charm pricing on their bundled special is very different than the round pricing on the standard menu. There are two things we can take from this:

Their bundles are clearly directed at a very different customer, one that is more price sensitive. They're using Valentine's Day and the bundled special and charm pricing to recruit new customers. The other thing that there is no one right answer all the time. Some obvious parallels here to Valentine's Day in the flower business.

RUTH'S CHRIS STEAK HOUSE
Valentine's Day Dinner for Two
Enjoy a three-course meal for two featuring two starters, two entrees, two side dishes, and one dessert to share.

FIRST COURSE	YOUR CHOICE OF TWO STARTERS
LOBSTER BISQUE CAESAR SALAD LETTUCE WEDGE	
ENTRÉE	YOUR CHOICE OF TWO ENTRÉES
PETITE FILET MIXED GRILL TWIN STUFFED TAILS	
SIDES	YOUR CHOICE OF TWO PERSONAL SIDE DISHES
MASHED POTATOES CREAMED SPINACH SAUTÉED MUSHROOMS	
DESSERT	YOUR CHOICE OF ONE TO SHARE
WARM APPLE TART CHOCOLATE MOLTEN CAKE CHEESECAKE WITH FRESH BERRIES	

\$9 per couple

No substitutions, please.
Offer ends 1/31/14. Not valid for gift certificates.
Offer may not be combined with coupons, discounts or other offers.

signature steaks & chops

FILET*
tender center-cut tenderloin beef, 11 oz cut \$44

PETITE FILET*
equally tender 8 oz filet \$36

COWBOY RIBEYE*
bone-in 22 oz USDA Prime cut \$50

PETITE FILET AND SHRIMP*
one 4 oz medallion with large shrimp \$44

PORTERHOUSE FOR TWO
rib bones of a strip, tenderloin of a filet, 40 oz USDA Prime cut \$81

NEW YORK STRIP*
USDA Prime, full-bodied 16 oz cut, slightly firmer than a ribeye \$46

T-BONE*
full boned 24 oz USDA Prime cut \$72

LAMB CHOPS*
three-ounce dish chops, marinated overnight, with fresh mint \$45

RIBEYE*
USDA Prime 16 oz cut, well marbled for peak flavor, deliciously juicy \$44

*only available to eat

*Not an actual size or color. All images are for illustrative purposes. Serving size or individual menu prices subject to change without notice. © Ruth's Chris Steak House, Inc.

potatoes

AU GRATIN
thick sliced potatoes with a three cheese sauce \$9

BAKED one lb, fully loaded \$9

MASHED with a hint of roasted garlic \$9

FRENCH FRIES classic cut \$9

SHOESTRING FRIES extra thin and crisp \$9

SWEET POTATO CASSEROLE with pecan crust \$9

LYONNAISE marbled with onions \$9

vegetables

SPINACH AU GRATIN \$9

FRESH ASPARAGUS & HOLLANDAISE \$11

SAUTÉED MUSHROOMS \$9

BROILED TOMATOES \$9

ONION RINGS \$9

SAUTÉED SPINACH \$9

CREAMED SPINACH \$9

BROCCOLI AU GRATIN \$9

FRESH BROCCOLI \$9

GREEN BEANS WITH ROASTED GARLIC \$9

*only available to eat

1. Their bundles are clearly directed at a very different customer, one that is more price sensitive and probably leery about the a la carte pricing. There are some obvious parallels here to the flower business – just like this restaurant uses increased Valentine's Day demand and alternate pricing to attract (and hopefully retain) new customers we can use Valentine's Day and different pricing to pull customers away from drop-shippers and supermarkets.

RUTH'S CHRIS STEAK HOUSE
Valentine's Day Dinner for Two
Enjoy a three-course meal for two featuring two starters, two entrees, two side dishes, and one dessert to share.

FIRST COURSE YOUR CHOICE OF TWO STARTERS
LOBSTER BISQUE
CAESAR SALAD
LETTUCE WEDGE

ENTRÉE YOUR CHOICE OF TWO ENTRÉES
PETITE FILET
MIXED GRILL
TWIN STUFFED TAILS

SIDES YOUR CHOICE OF TWO PERSONAL SIDE ITEMS
MASHED POTATOES
CREAMED SPINACH
SAUTÉED MUSHROOMS

DESSERT YOUR CHOICE OF ONE TO SHARE
WARM APPLE TART
CHOCOLATE MOLTEN CAKE
CHEESECAKE WITH FRESH BERRIES
\$9 per couple

No substitutions, please.
Offer ends 1/31/16. See our website for details.
Offer may not be combined with coupons, discounts or other offers.

signature steaks & chops

FILET*
tender center-cut tenderloin beef, 11 oz cut 44

PETITE FILET*
equally tender 8 oz filet 38

COWBOY RIBEYE*
bone-in 22 oz USDA Prime cut 50

PETITE FILET AND SHRIMP*
one 4 oz medallion with large shrimp 44

PORTERHOUSE FOR TWO
rich flavor of a strip, tenderness of a filet, 40 oz USDA Prime cut 80

NEW YORK STRIP*
USDA Prime, full-bodied 16 oz cut, slightly firmer than a ribeye 46

T-BONE*
full flavored 24 oz USDA Prime cut 52

LAMB CHOPS*
three-ounce thick chops, marinated overnight, with fresh mint 45

RIBEYE*
USDA Prime 16 oz cut, well marbled for peak flavor, deliciously juicy 44

*only available to eat
There are several cuts of beef available, or you can order an individual signature steaking cut or individual meat, poultry, seafood, shellfish or eggs that are not cut of beef, pork, lamb.

potatoes

AU GRATIN
thick sliced potatoes with a three cheese sauce 9

BAKED one lb, fully loaded 9

MASHED with a hint of roasted garlic 9

FRENCH FRIES classic cut 9

SHOESTRING FRIES extra thin and crispy 9

SWEET POTATO CASSEROLE with pecan crust 9

LYONNAISE sautéed with onions 9

vegetables

SPINACH AU GRATIN 9

FRESH ASPARAGUS & HOLLANDAISE 11

SAUTÉED MUSHROOMS 9

BROILED TOMATOES 9

ONION RINGS 9

SAUTÉED SPINACH 9

CREAMED SPINACH 9

BROCCOLI AU GRATIN 9

FRESH BROCCOLI 9

GREEN BEANS WITH ROASTED GARLIC 9

*only available to eat

2. The other thing we see is that there is no single right answer all the time. This is a very successful restaurant chain that is committed to rounded pricing and a la carte menus... but they'll veer from that when the opportunity is right.

COMBO COMBO COMBO

1
2 Large Drinks
1 Large Popcorn
18.00
SAVE 75¢

2
2 Medium Drinks
1 Medium Popcorn
16.00
SAVE \$1

3
1 Large Drink
1 Large Popcorn
12.75
FREE Refill!

KID'S COMBO
\$6.00

COMBO Add-Ons

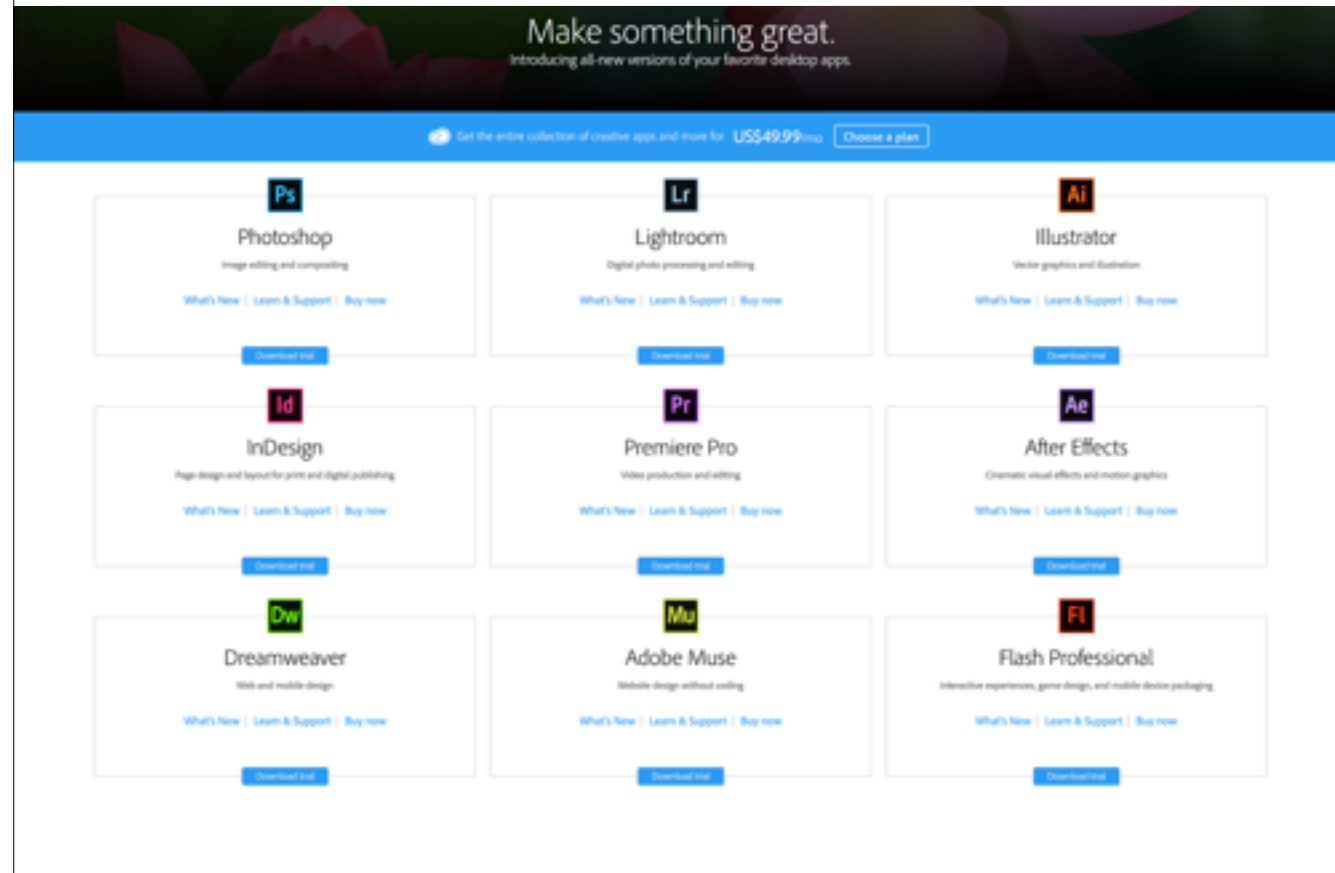
- NESTLE CANDY +3.00
- NACHOS +3.00
- HOT DOG +3.00

Bundles at a movie theater.

The screenshot shows the Microsoft Office website with a navigation bar at the top. Below the navigation bar, there are four product cards for Office 365 subscriptions:










- Office 365 Home:** For 5 PCs or Macs plus 5 tablets, including iPad, Android, or Windows. Features 1TB online storage per user for up to 5 users, 60-minute monthly Skype calls per user, and ongoing access to updates. Price: \$99.99 per year / \$9.99 per month. Rating: 4.5 stars (33,217 reviews).
- Office 365 Personal:** For 1 PC or Mac plus 1 tablet, including iPad, Android, or Windows. Features 1TB online storage for 1 user, 60-minute monthly Skype calls for 1 user, and ongoing access to updates. Price: \$69.99 per year / \$6.99 per month. Rating: 4.5 stars (17,256 reviews).
- Microsoft Work & Play:** Includes Office 365 Home, 50 GB of 1TB Unlimited World, Xbox Live Gold, \$40 bonus gift card, and 3-month Netflix gift subscription. Price: \$149.99 (Save \$20 vs. purchasing separately). Suite includes Word, Excel, PowerPoint, Outlook, OneDrive, and Skype.
- Office Home & Student 2013:** For 1 PC. Features Store files in the cloud with OneDrive, View, share or edit your documents online, and Get new Word and Excel templates. Price: \$139.99. Rating: 4.5 stars (14,200 reviews).

Bundled software. Rather than selling individual applications Microsoft encourages you to subscribe to Office 365 and get access to a bundle that contains all of the applications shown.



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 Photoshop Image editing and compositing What's New Learn & Support Buy now Download trial	 Lightroom Digital photo processing and editing What's New Learn & Support Buy now Download trial	 Illustrator Vector graphics and illustration What's New Learn & Support Buy now Download trial
 InDesign Page design and layout for print and digital publishing What's New Learn & Support Buy now Download trial	 Premiere Pro Video production and editing What's New Learn & Support Buy now Download trial	 After Effects Cinematic visual effects and motion graphics What's New Learn & Support Buy now Download trial
 Dreamweaver Web and mobile design What's New Learn & Support Buy now Download trial	 Adobe Muse Website design without coding What's New Learn & Support Buy now Download trial	 Flash Professional Interactive experiences, game design, and mobile device packaging What's New Learn & Support Buy now Download trial

Adobe does the same thing with Creative Cloud – they really push you to subscribe to the full Creative Cloud and get access to a bundle that contains all of their applications (a lot more than what is shown here).

Product Bundling: The practice of combining multiple products and selling them at a single price.

Those were all examples of bundling, but there are actually two different flavors or subcategories of bundling.

Product Bundling: The practice of combining multiple products and selling them at a single price.

Mixed Bundling: The individual products that make up the bundle are also available for purchase separately.

With mixed bundling the products in the bundle are also available for purchase separately as individual items or “a la carte”. You don’t have to buy the bundle to get one of the items.

Product Bundling: The practice of combining multiple products and selling them at a single price.










Mixed Bundling: The individual products that make up the bundle are also available for purchase separately.

Pure Bundling: The individual products that make up the bundle are only available as part of the bundle.

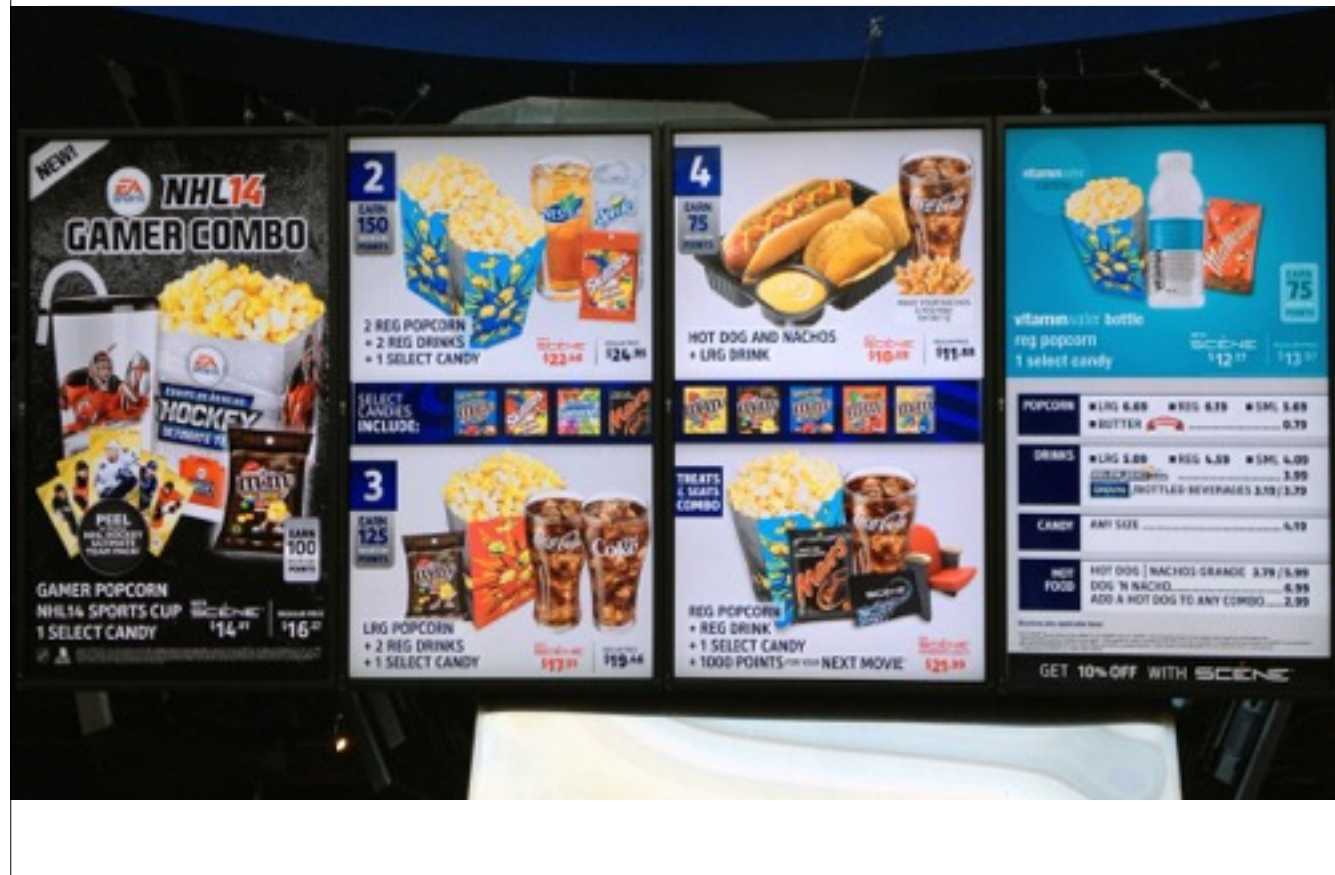
Pure bundling is a little different – if you want the item you have to buy the whole bundle.

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 InDesign Page design and layout for print and digital publishing What's New Learn & Support Buy now Download trial	 Premiere Pro Video production and editing What's New Learn & Support Buy now Download trial	 After Effects Cinematic visual effects and motion graphics What's New Learn & Support Buy now Download trial
 Dreamweaver Web and mobile design What's New Learn & Support Buy now Download trial	 Adobe Muse Website design without coding What's New Learn & Support Buy now Download trial	 Flash Professional Interactive experiences, game design, and mobile device packaging What's New Learn & Support Buy now Download trial

This is mixed bundling – you can purchase any of the individual applications separately.



Here we see both, but with a focus on mixed bundling. The items in bundles 2–5 are also available a la carte to the right. The “Gamer” combo on the left is closer to a pure bundle because you can only get souvenir cup and trading cards with the bundle.

		Good From \$14/mo	Select From \$29/mo	Better From \$46/mo	Best From \$81/mo	Add-on Prices vary per channel or package
	BBC World News		✓	✓	✓	
	BET			✓	✓	
	Ble TV				✓	+
	BNN		✓	✓	✓	
	Book Television				✓	+
	bravo		✓	✓	✓	
	Cartoon Network				✓	+
	CBC News Network	✓	✓	✓	✓	
	CBC Radio One	✓	✓	✓	✓	
	CBC Radio Two	✓	✓	✓	✓	
	CBC HD	✓	✓	✓	✓	
	CBS	✓	✓	✓	✓	

Cable TV usually involves pure bundling. You can select a package, but you can't pick and choose individual channels. There will almost certainly be some kind of equipment rental too...

WOW! SERVICES & BUNDLES	
04/18-05/17 WOW! Ultra TV Bundle	\$95.00
Includes: Basic Cable, Ultra TV Signature, WOW! Internet 15M/1M	
Total WOW! Services & Bundles	\$95.00
ADDITIONAL WOW! CABLE TV SERVICES	
04/18-05/17 Ultra TV Equipment	\$25.00
04/18-05/17 Broadcast TV Surcharge	\$4.50
<small>Off-air some of the retransmission cost (OTM) must pay to broadcast stations.</small>	
Total Additional WOW! Cable TV Services	\$29.50
TAXES, SURCHARGES & FEES	
04/18 FCC Reg Fee	\$0.09
04/18 Ohio VSA Assessment Fee	\$0.01
04/18 Sales Tax	\$1.88
04/18 Franchise Fee	\$2.86
04/18 PEG Access Fee	\$0.44
Total Taxes, Surcharges & Fees	\$5.28

...as we see here, with the equipment rental and various surcharges. You can't just take the content, you also need to rent the box and pay the surcharges.

Product Bundling: The practice of combining multiple products and selling them at a single price.

Mixed Bundling: The individual products that make up the bundle are also available for purchase separately.

Pure Bundling: The individual products that make up the bundle are only available as part of the bundle.

Bundling (verb): Moving to more bundled offerings.

There are also two verbs we need to keep in mind. We can talk about “bundling” as the process of moving towards more bundled offerings, like the fast food guys started doing in the 80s.

Product Bundling: The practice of combining multiple products and selling them at a single price.

Mixed Bundling: The individual products that make up the bundle are also available for purchase separately.

Pure Bundling: The individual products that make up the bundle are only available as part of the bundle.

Bundling (verb): Moving to more bundled offerings.

Unbundling (verb): Moving to less bundled offerings.

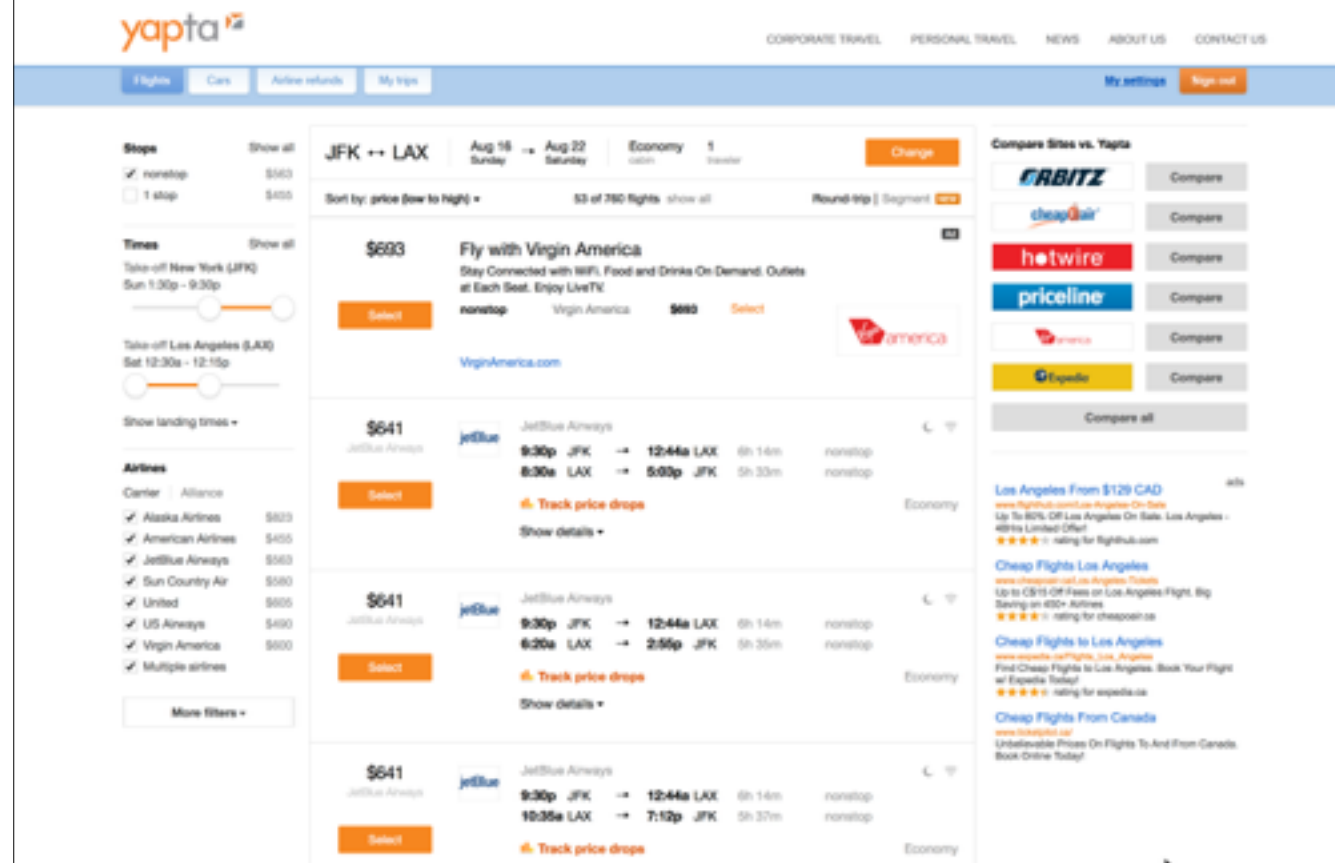
“Unbundling” is the opposite – moving away from bundled products. We’re interested primarily in the advantages that might come with moving to bundling, or more accurately, moving back to bundling, but let’s take a look at industries that started out bundling and only unbundled later.



Air travel is a great example. Most of us probably can't remember this kind of service, but can remember free checked bags and free meals. Free seat selection, telephone reservations and the free use of a pillow or blanket. Some of us can probably remember free headphones and free drinks. Airlines initially bundled by default, and there were a lot of free perks.



The reality of course is that none of it was really free – it was just included as part of a pure bundle. “Pure” because you couldn’t buy just one of the products. It’s hard for the airline as they’re running several different businesses (air carrier, restaurant, freight service, etc.) some of which are far outside their core competency. It’s also unfair, and therefore unappealing, to the customer that doesn’t value some of the bundled components. If you don’t drink you’re subsidizing the drinking of everyone that does. Travel light? You’re paying for the people hauling three suitcases.



The screenshot shows the Yapta flight search interface. The search parameters are JFK to LAX, August 18 (Sunday) to August 22 (Saturday), Economy class, 1 traveler. The results are sorted by price from low to high. The top result is a Virgin America flight for \$693, which is nonstop. Below it are three JetBlue flights for \$641 each, all nonstop. The interface includes filters for stops, times, and airlines, as well as a 'Compare Sites vs. Yapta' section on the right with logos for Orbitz, CheapTickets, Hotwire, Priceline, Expedia, and others.

A big problem for airlines is staying competitive on price, at least at first glance. This is the way most of us shop for flights now – a search sorted with the results sorted from lowest to highest. If you're trying to compete in this kind of arena you need to be able to cut the base price any way possible, and unbundling is a great way to do it.

Bundled

Unbundled

- keeps price down, good for simple comparisons

Rules...

So we get the first note for our chart – unbundling gives us a way to present a low price, and better compete in a simple price comparison. The “real” final price will be different, but we’ll do better in that first impression price comparison.

Bundled

Unbundled

- keeps price down, good for simple comparisons

Rules...

- no one single approach

We also start to see that there is no one single answer. Even airlines – where unbundling is almost a religion – still bundle their product. When you purchase a premium ticket you get most of the stuff that was unbundled from the economy fare – checked bag(s), food, drinks... it's all bundled when you sit up front.

Bundled

- strong appeal for some customers

Unbundled

- keeps price down, good for simple comparisons

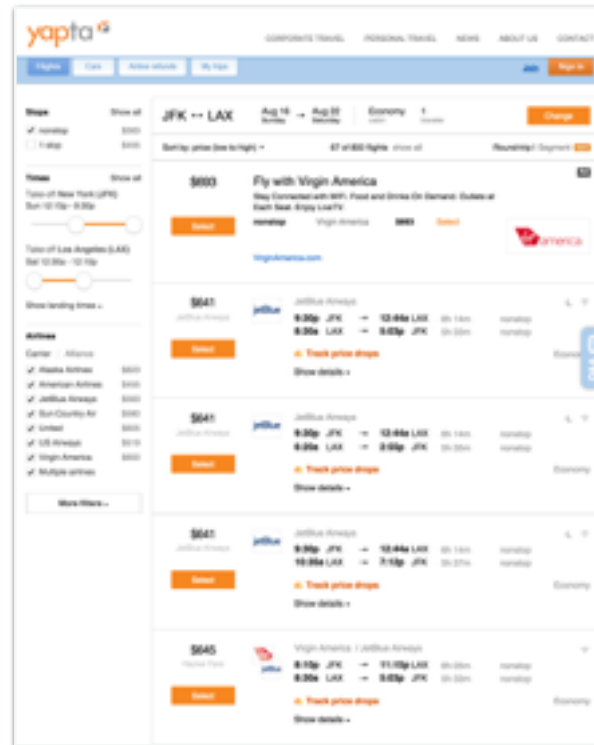
Rules...

- no one single approach

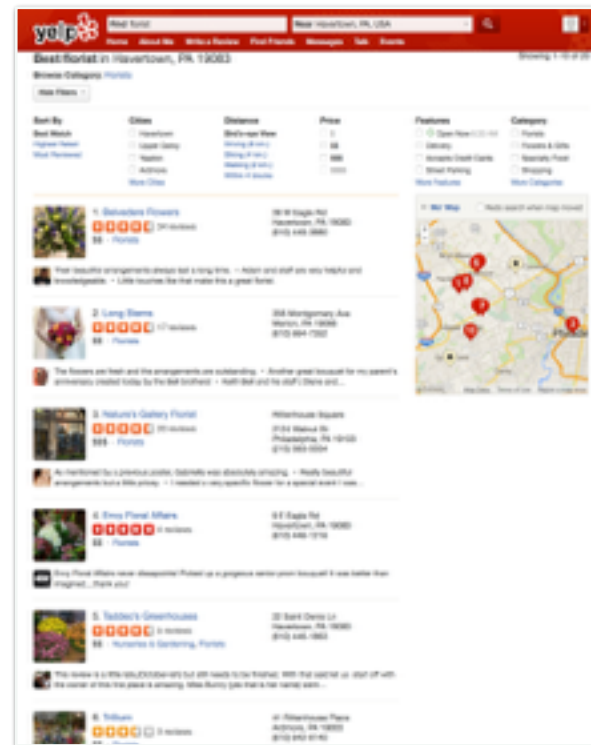
We also start to get that first hint that some customers will pay a big premium just to avoid the headache of unbundled purchasing. The upgrade to business class might get you a checked bag, mediocre meal and a few cocktails free, but it's a lot more expensive than buying those items a la carte. Some people will pay a premium for the bundled experience.



So back to the flower business. Many of us can remember free delivery, or at least when we really think about it, subsidized delivery. This is a kind of bundling. And, faced with rising fuel prices, we needed to unbundle and increase those fees. Same thing with wire outs – as the total cost of wire service membership increased we needed to break those fees out.



The screenshot shows the Yapta.com website with search results for a flight from JFK to LAX. The search parameters are: JFK to LAX, Aug 19 to Aug 20, Economy class, 1 passenger. The results show several flight options, including one with Virgin America for \$600. The page includes filters for airlines, departure times, and arrival times.



The screenshot shows the Yelp.com website with search results for florists in Havertown, PA. The search parameters are: Havertown, PA, 19083. The results show several florist businesses, including "Behrman's Flowers", "Carr's Flowers", "Nature's Gallery Floral", "Elegance Floral", and "Toddler's Greenhouses". Each listing includes a star rating, address, phone number, and a brief description.

And while the price aggregation and comparison shopping we see in the floral business isn't quite as bad as what the airlines face the internet has made it very easy for comparison shoppers. Just like airlines have to be very careful about that first price they show, and keep it as low as possible, we need to have that option too. If someone clicks through to your shops and is confronted with only high prices it is all too easy to just hit the back button.



Unbundling has worked miracles with air travel. Flying now costs about half as much now as it did thirty years ago (even though fuel prices have tripled over that same period) and unbundling plays a big part.



Air travel really is a bargain, one that we all appreciate, and we all love airlines right? Of course not. Forget about the falling prices, we generally hate the airlines, and the lousy \$10 dollar sandwiches...

UPS Service Comparison				
Ship From:		NEW YORK, 10007 United States		
Ship To:		Los Angeles, 90045 United States		
Number of Packages:		1		
Service	Schedule by:	Pickup by:	Estimated Delivery*	Estimated Cost*
UPS Next Day Air Early A.M.	7:30 PM Wednesday, Jun 17, 2015	8:30 PM Wednesday, Jun 17, 2015	8:30 AM Thursday, Jun 18, 2015	410.89
UPS Next Day Air	7:30 PM Wednesday, Jun 17, 2015	8:30 PM Wednesday, Jun 17, 2015	10:30 AM Thursday, Jun 18, 2015	379.54
UPS Next Day Air Saver	7:30 PM Wednesday, Jun 17, 2015	8:30 PM Wednesday, Jun 17, 2015	3:00 PM Thursday, Jun 18, 2015	361.52
UPS 2nd Day Air A.M.	7:30 PM Wednesday, Jun 17, 2015	8:30 PM Wednesday, Jun 17, 2015	10:30 AM Friday, Jun 19, 2015	320.57
UPS 2nd Day Air	7:30 PM Wednesday, Jun 17, 2015	8:30 PM Wednesday, Jun 17, 2015	End of Day Friday, Jun 19, 2015	278.75
UPS 3 Day Select	6:00 PM Wednesday, Jun 17, 2015	7:00 PM Wednesday, Jun 17, 2015	End of Day Monday, Jun 22, 2015	194.64
UPS Ground Service	6:00 PM Wednesday, Jun 17, 2015	7:00 PM Wednesday, Jun 17, 2015	End of Day Tuesday, Jun 23, 2015	84.01

* The estimated cost of the shipment as well as estimated delivery date and time.

Close

...and we really resent the \$25 bag fee. We resent it even though it is an amazing deal. It would cost more that three times as much to have a bag shipped to the same destination and it would arrive a week later. It would cost sixteen times as much to have it shipped the next day. Same day isn't even an option.



So why do we keep looking this gift horse in the mouth? Why can't we be grateful that we're paying less, and accept the extra fees applied only to optional services if we choose to use them? Because we don't notice the savings, but we do notice the new fees. It's hard to compare prices – even if you go to Florida every winter, it's hard to remember and compare the prices from year to year. But you'll definitely notice every time the airline unbundles and starts charging for something that used to be free. Nobody likes losing an entitlement.

Bundled

- strong appeal for some customers

Unbundled

- keeps price down, good for simple comparisons
- unbundling (new charges) alienate customers

Rules...

- no one single approach

So there is a downside to unbundling. If you resent unbundled airline fees remember – the airlines have a completely different way of looking at it. They'd explain that unbundled fees are an essential part of keeping costs down. They might point out that even with those fees they are barely profitable. They're selling their product at a loss and we still wouldn't care.

Bundled

- strong appeal for some customers

Unbundled

- keeps price down, good for simple comparisons
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Rules...

- no one single approach

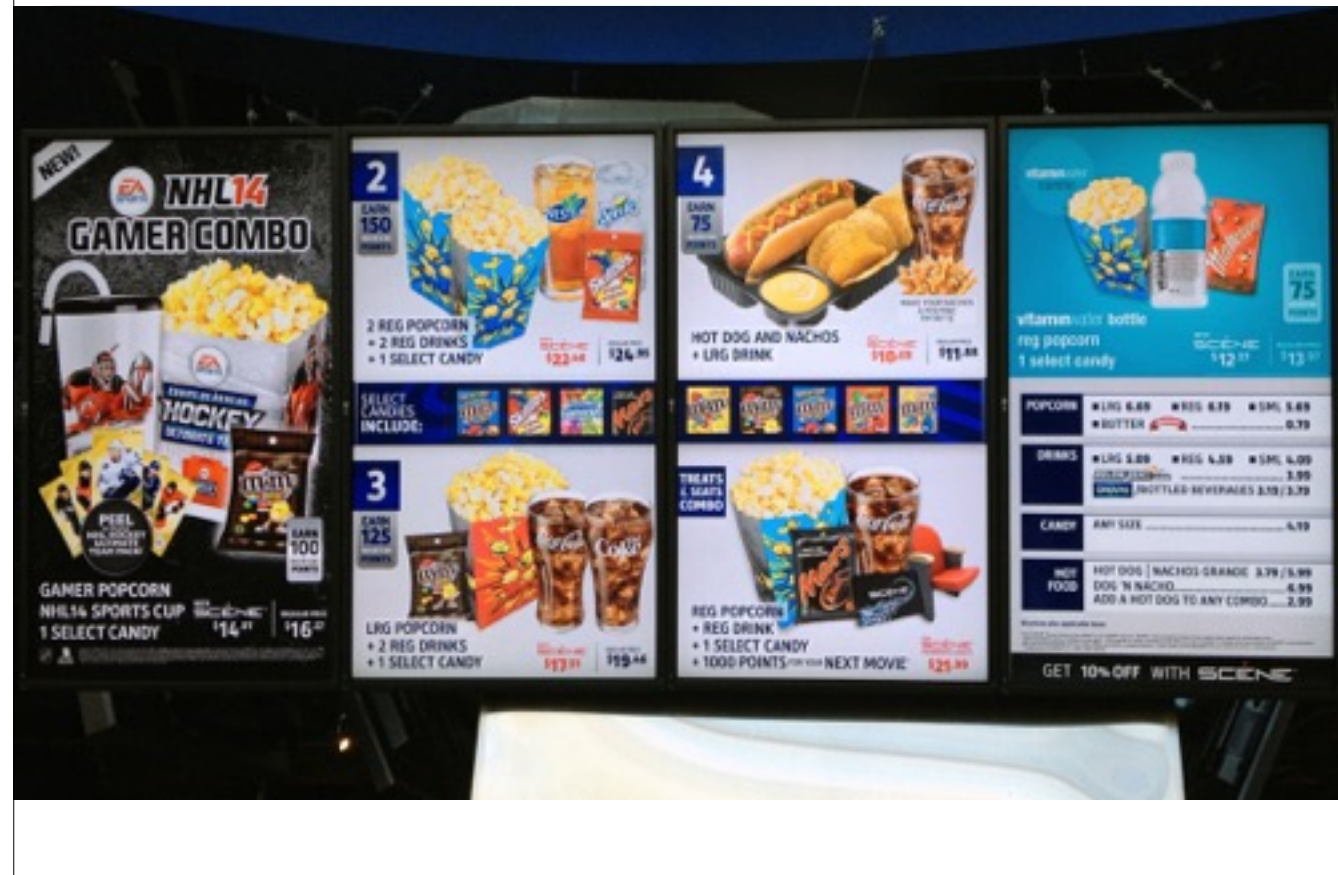
Everything flips when we start talking about flowers – we become the airline, and get defensive about our costs. There are customers that will resent new fees the same way we resent new airline fees. We know those customers are wrong, but that doesn't matter. Hopefully your customers are accustomed to delivery fees, but be very careful about further unbundling. It can seem like a quick fix but can create a lot of resentment.



Now let's look at the opposite - bundling. Airlines unbundled, fast food did the opposite. This really started to explode in the 1980s.



This picture shows us how important bundles are. About 40% of the real estate is devoted to just six combos. The remaining sixty percent is shared among almost fifty a la carte items. Each combo items gets almost seven times as much real estate as each a la carte item.



It's even more pronounced at the movie theater. The six combos get almost 90% of the space. Why is that? Why is there so much focus on the relatively small number of bundles?

Consumption Effects of Bundling:

Consumer Perceptions, Firm Actions, and Public Policy Implications

Author(s): Kathryn M. Sharpe and Richard Staelin
Source: Journal of Public Policy & Marketing, Vol. 29 (2) Fall 2010, 170–188
Published by: American Marketing Association

...when bundling items together, firms often find that consumers purchase items that they would not ordinarily purchase if the items were only available individually (Stremersch and Tellis 2002). For example, in a study, which we describe subsequently, that uses the fast-food industry as the context, we find that the demand for French fries increases when a bundle is offered.

Because they are really effective at increasing sales. People spend more and end up with larger sizes and more products than they would have otherwise. There is ample research on this.

Consumption Effects of Bundling:

Consumer Perceptions, Firm Actions, and Public Policy Implications

Author(s): Kathryn M. Sharpe and Richard Staelin
Source: Journal of Public Policy & Marketing, Vol. 29 (2) Fall 2010, 170–188
Published by: American Marketing Association

...overall soft drink and fry consumption increased. These results indicate that “featuring” a pair of items as a bundle can increase sales. When the bundle is offered, more consumers purchase fries, and consumers move up in size for both drinks and fries more often than down in size.

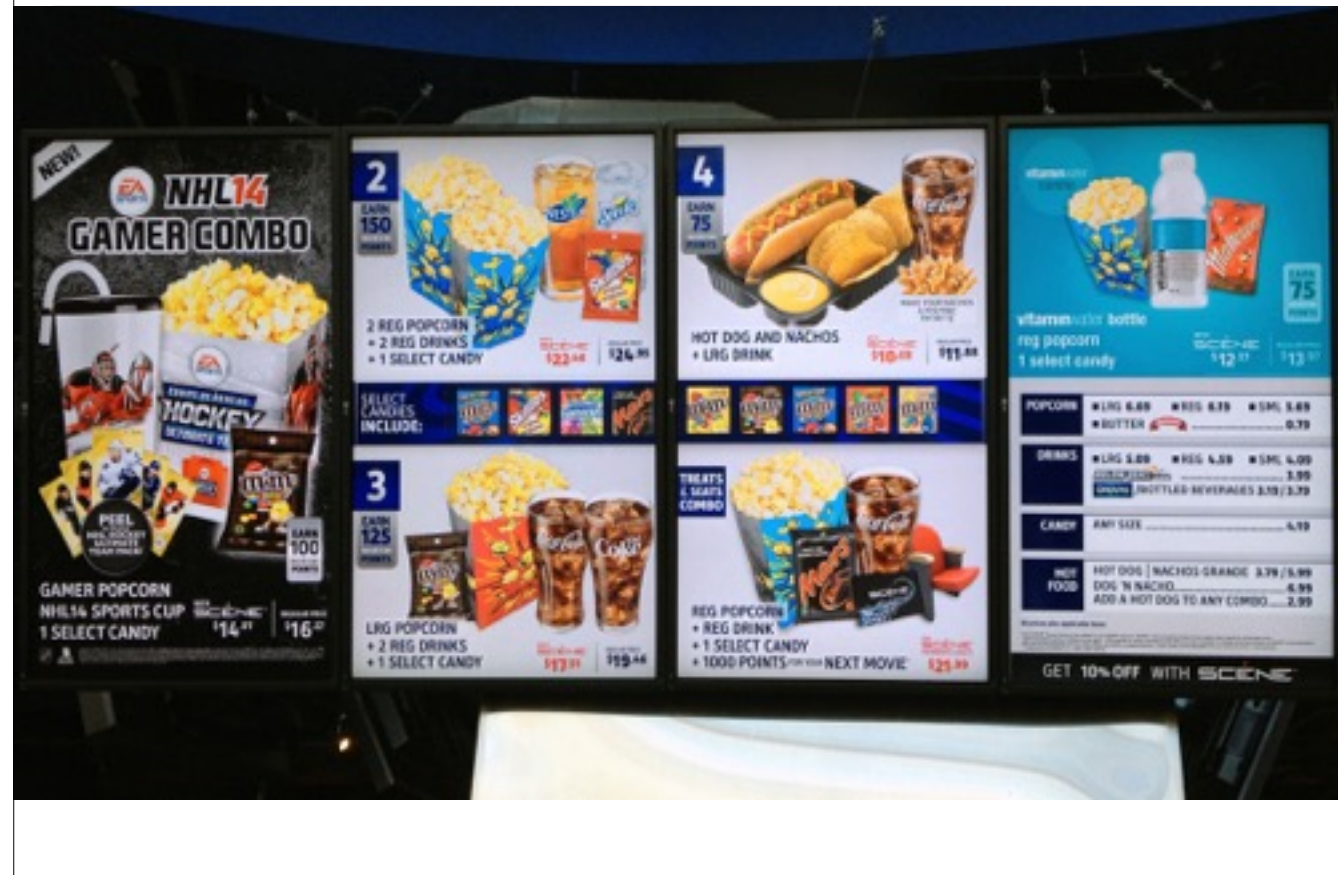
This study wasn't even really about bundles being effective. It was about bundles being so effective that any attempts to reduce caloric consumption through increased punitive taxation would be ineffective. The bundles remain too tempting.

What makes bundles so effective?

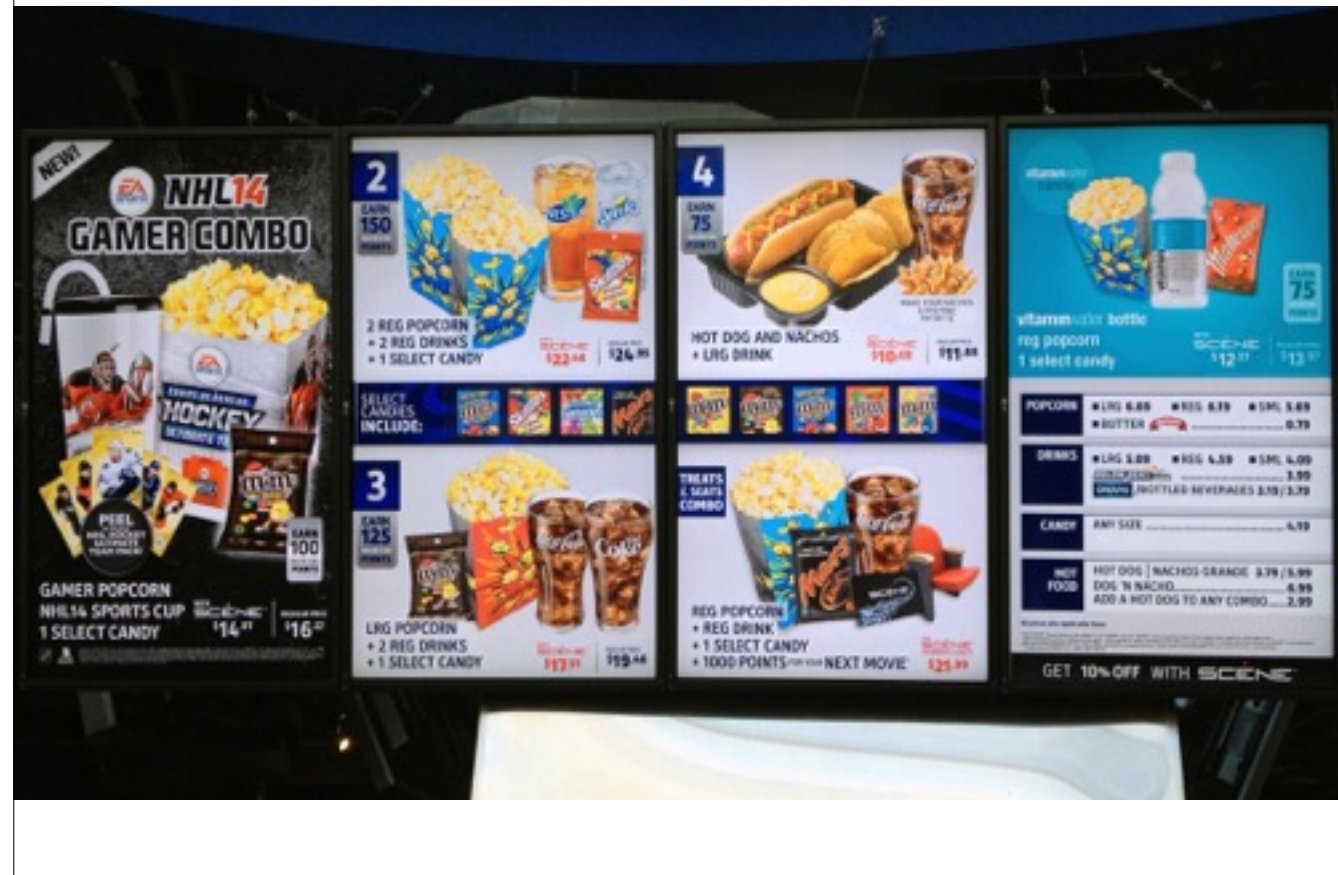
Perceived Value:

Customers assume savings, even though they aren't always there.

Why are bundles so effective? Partly because customers assume they are getting some kind of discount, even when they aren't.



Combo 2 offers a total savings of \$0.80, about 3%. Combo 3 saves \$0.60, again about 3%. If you had a sale and promoted a 3% discount people would laugh, but in this context it works because the actual discount is irrelevant. Bundles work even when there is no discount. They even when the bundles costs more than the sum of its component parts, but that is a dangerous game to play.



It's worth noting that in none of photographs used does the vendor reference savings or discounts, usually because drawing attention to that aspect of the bundle ends with the realization that any discount is almost irrelevant. As soon as we start aggressively discounting a bundle we ignore the power of the bundle. We generally bundle so we don't have to discount.

What makes bundles so effective?

- | | |
|-------------------|---|
| Perceived Value: | Customers assume savings, even though they aren't always there. |
| Assign Own Value: | Surplus from the most valued items transfers to less valued items, lowering their perceived cost. |

This gets a little trickier. Bundles lets each customer assign their own valuations to the products in the bundle. A surplus in one item can be transferred to another.

\$15 Combo: Large Popcorn \$6
 Medium Drink \$5
 Candy \$4

	Popcorn	Drink	Candy
Brian	\$8	\$6	\$1
Joe	\$3	\$6	\$6

Imagine a \$15 snack combo. It lets everyone assign their own value to each item. Brian places a high value on the popcorn and soda, which means that the candy seems almost free. Joe on the other hand really values the candy and soda, and that the popcorn seems cheaper.

\$75 Combo: Flowers \$60
 Delivery \$10
 Card \$5

	Flowers	Delivery	Card
Brian	\$70	\$0	\$5
Joe	\$50	\$25	\$0

The same thing can happen with flowers... different customers place different values on the parts of your bundle. Brian loves that his wife loves flowers but hates delivery fees. Joe cares less about flowers but values his time, and loves the idea he can have them delivered the same day without making the trip himself. The bundle appeals to both of them, and lets them feel like they paid according to how they value the different aspects of the bundle.

What makes bundles so effective?

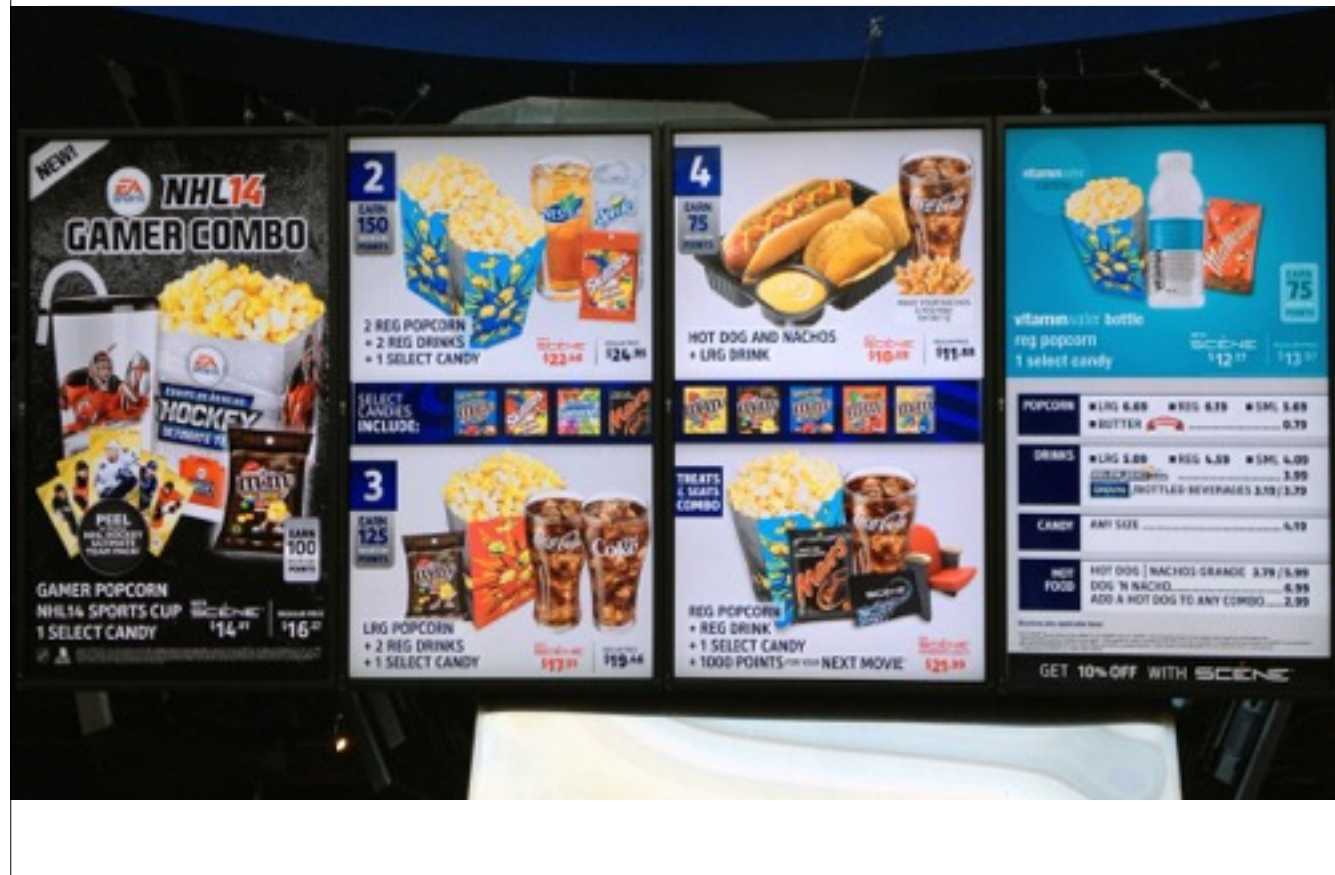
Perceived Value:	Customers assume savings, even though they aren't always there.
Assign Own Value:	Surplus from the most valued items transfers to less valued items, lowering their perceived cost.
Cost Certainty:	There is value in knowing that there won't be any surprises.

Booking a rental car is no fun because you see a low daily rate, and then just watch as the number gets bigger as more fees are added on through the checkout process. The final number always comes as a head-scratching surprise. For some flower buyers it's the same thing, and they want to skip that. I have friends that are intimidated to call a flower shop because they have no idea how much it will really cost. When I order flowers I usually just say "I have x dollars to spend, before tax". Bundles give those customers comfort, just like Ruth's Chris uses bundles to set wary new customers at ease.

What makes bundles so effective?

- | | |
|----------------------|---|
| Perceived Value: | Customers assume savings, even though they aren't always there. |
| Assign Own Value: | Surplus from the most valued items transfers to less valued items, lowering their perceived cost. |
| Cost Certainty: | There is value in knowing that there won't be any surprises. |
| Lower Ordering Cost: | Surplus from the most valued items transfers to less valued items, lowering their perceived cost. |

The last point is related. Let's go back to the movie theater for a second...



It's crowded, it's noisy, and you're there to have fun. You can do the math in your head... or you can just let the combo do it for you. Ordering the combo is easier for the customer. It's also a little easier for the vendor – less selling, less ringing-in, and less explaining.

Bundled

- strong appeal for some customers
- can increase sales
- lower ordering costs

Unbundled

- keeps price down, good for simple comparisons
- unbundling (new charges) alienate customers

Rules...

- no one single approach

Back to our notes. Different customers respond to different prices and pricing models and we need to have something for everyone.

Bundled

- strong appeal for some customers
- can increase sales
- lower ordering costs

Unbundled

- keeps price down, good for simple comparisons
- unbundling (new charges) alienate customers

Rules...

- no one single approach

Where do we fit in? We're not restaurants – their margins are higher, and their products are more complementary. Fries come from the same kitchen as the burger, it's very different than designing flowers and running a delivery service.

Bundled

- strong appeal for some customers
- can increase sales
- lower ordering costs

Unbundled

- keeps price down, good for simple comparisons
- unbundling (new charges) alienate customers

Rules...

- no one single approach

We're not airlines either – as tough as the flower business is it's not quite that bad and we don't need to be quite as ruthless about unbundling.

Bundled

- strong appeal for some customers
- can increase sales
- lower ordering costs

Unbundled

- keeps price down, good for simple comparisons
- unbundling (new charges) alienate customers

Rules...

- no one single approach
- be honest about the “missing” value

We also need to manage expectations. The fast food guys have it easy here – when you order the value meal it’s all right there on the plate. With flowers a big chunk of bundle cost, the delivery charge, is invisible.



When you order the fast food combo it's all right there on the plate.



Our combo can look like this. With flowers a big chunk of bundle cost, the delivery charge, is invisible. Don't pretend that the delivery charge is free, or customers will expect to see it in the flowers. This is more acute the lower the price of the bundle. If you have a \$100 dollar bundle and a \$10 delivery charge it's not very noticeable. If you have a \$35 bundle with \$10 of that going to delivery it can really start to impact expectations.

Bundled

- strong appeal for some customers
- can increase sales
- lower ordering costs

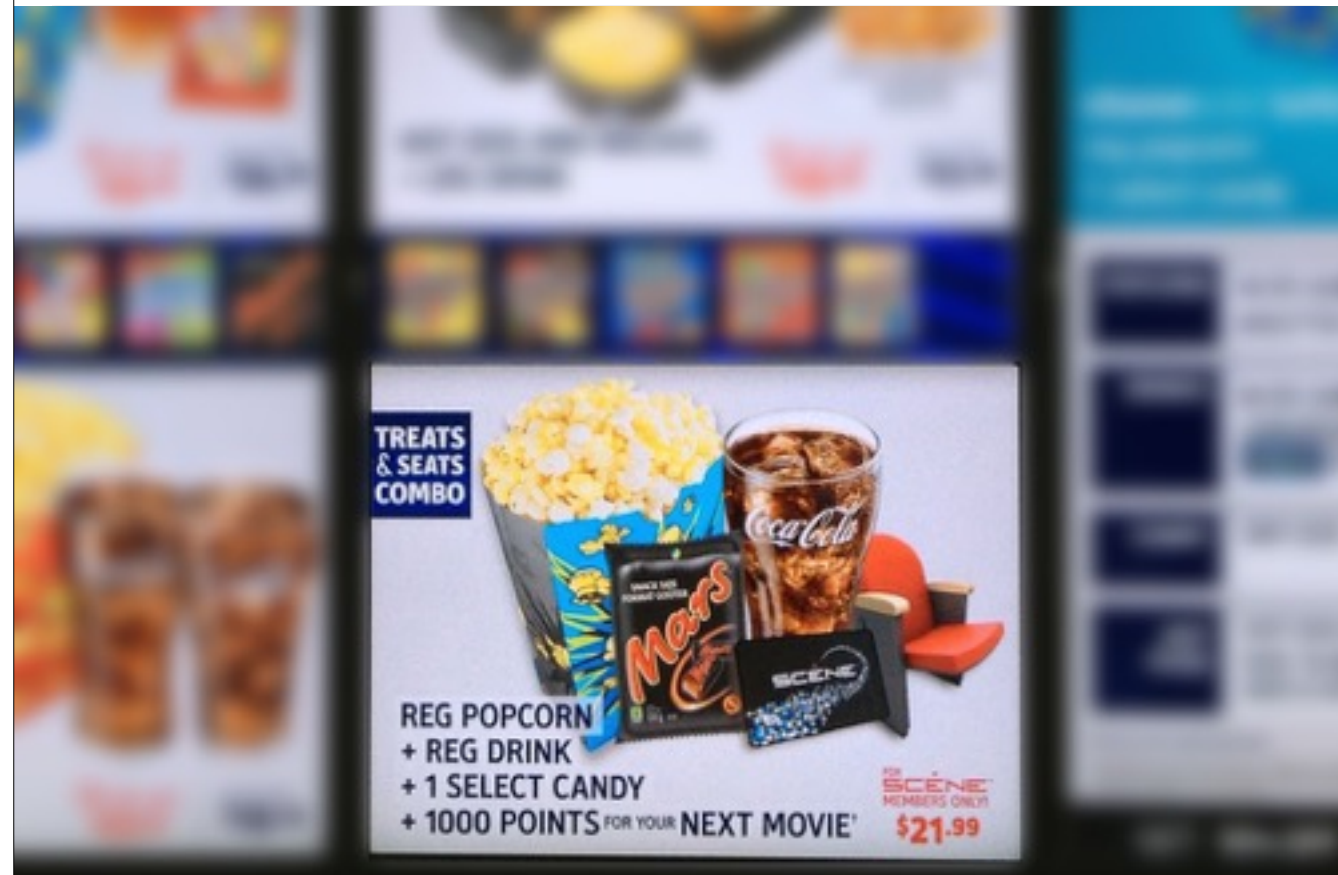
Unbundled

- keeps price down, good for simple comparisons
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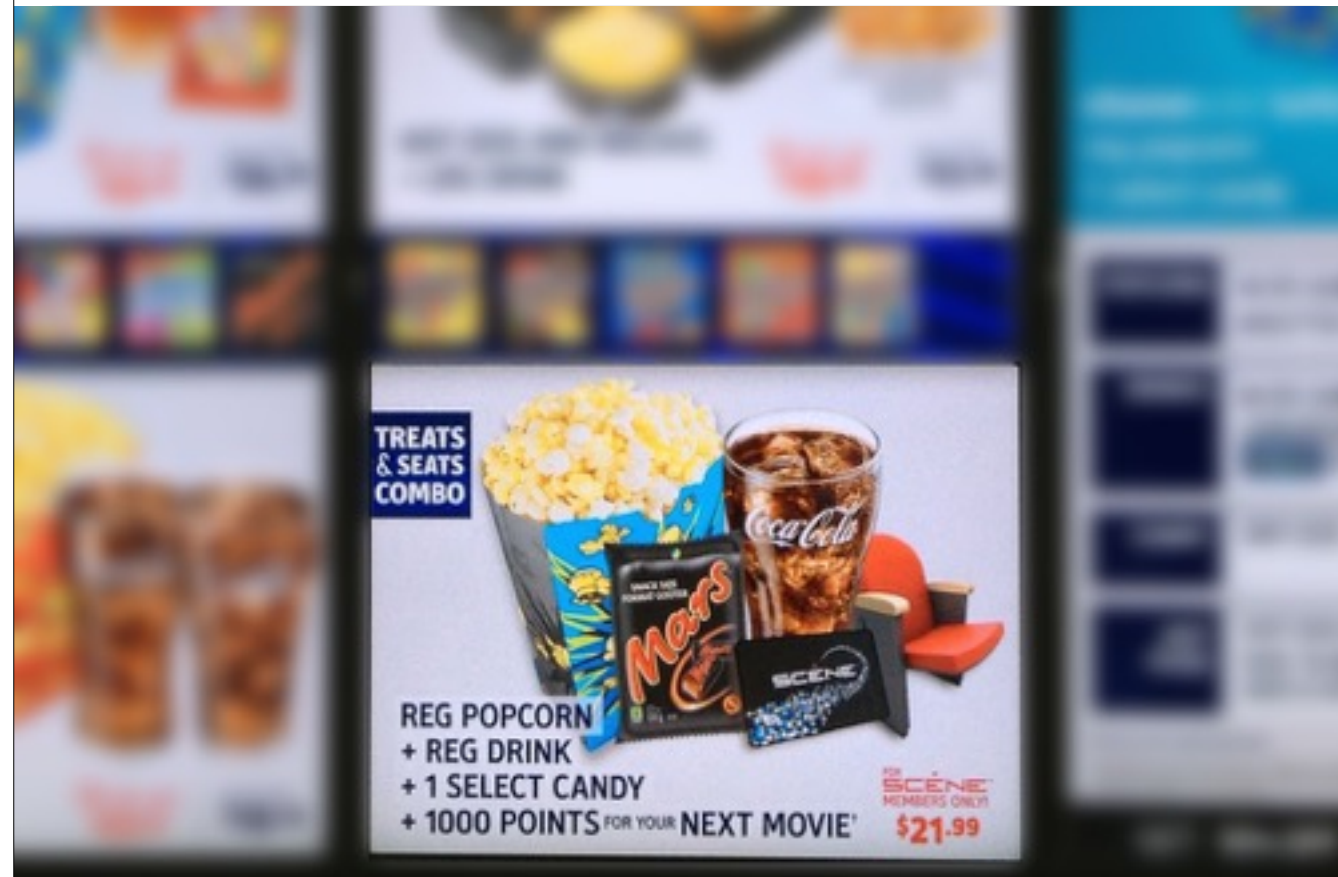
Rules...

- no one single approach
- be honest about the “missing” value
- add value elsewhere

Look for other little ways to add value to the combo.



The "Treats & Seats" combo highlighted here is really interesting. It effectively lets you prepay for a discounted admission at some future date. You can do the same thing with coupons - a \$10 discount coupon on a future delivery adds a lot of value to a combo.



Just remember that you want to spur new flower purchases, not discount ones the customer was going to make anyway. If it's Valentine's Day, keep the expire date tight so it can't be redeemed on Mother's Day. High margin chocolates, plush toys, balloons, etc. are also good.

Bundled

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Unbundled

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- unbundling (new charges) alienate customers

Rules...

- no one single approach
- be honest about the “missing” value
- add value elsewhere

Thank you!

Thank you for participating and also thank you to SAF for being so generous with me and so great with all of their members. We're really lucky to have them looking out for us.

Appendix

Thank you for participating and also thank you to SAF for being so generous with me and so great with all of their members. We're really lucky to have them looking out for us.

The screenshot shows the Amazon product page for 'The Judith Blacklock's Encyclopedia of Flower Design'. The main product is priced at \$31.46. Below the product description, there is a 'Frequently Bought Together' section. This section displays three books: 'The Judith Blacklock's Encyclopedia of Flower Design' (\$31.46), 'The Flower Recipe Book' (\$12.81), and 'Flower Arranging: The complete guide for beginners' (\$35.70). A yellow box highlights the total price for all three items: \$79.97. The page also features a 'Buy New' section with a price of \$31.46, a 'Buy now with 1-Click!' button, and a 'Frequently Bought Together' bundle option.

Appendix – Bundling on Websites: Amazon is good at online retail and they use bundling in a slightly different way. In this case, based on interest in one book on flower design, they suggest two more complementary titles. It's worth noting that there is absolutely no savings. The bundle price is the sum of the three individual prices, to the penny. They're not giving anything away, they're just relying on the convenience and bundle effect to make the larger sale. If it didn't work they would not devote that much space to it.

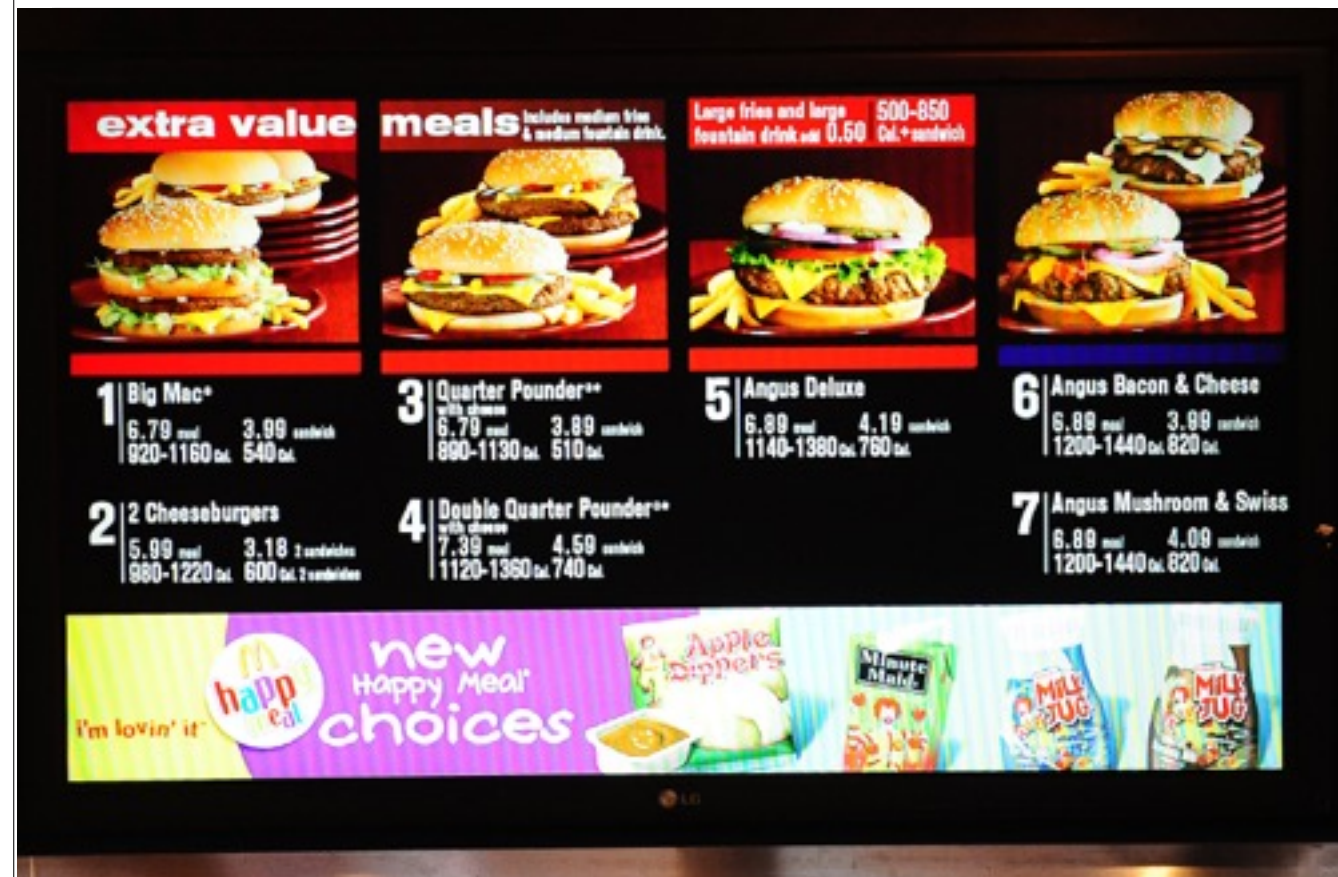
The screenshot shows an Amazon product page for the book "The Judith Blacklock's Encyclopedia of Flower Design". The page features a search bar at the top with "flower design" entered. The product title is "The Judith Blacklock's Encyclopedia of Flower Design Hardcover" by Judith Blacklock, published on October 10, 2006. The current price is \$31.46, with a list price of \$49.96 and a 37% discount. The page includes a "Frequently Bought Together" section with three books: "The Judith Blacklock's Encyclopedia of Flower Design" (\$31.46), "The Flower Recipe Book" (\$12.81), and "Flower Arranging: The complete guide for beginners" (\$35.75). A bundle price of \$79.97 is offered for all three. The right sidebar shows purchase options, including "Buy New" for \$31.46 and "Buy Used" for \$18.75. It also displays shipping information for Mark Anderson in Wilmington and a "This is a gift" checkbox.

Appendix – Bundling on Websites: Bundling should work in any scenario but when it comes to your website conversion also comes into play. You can't just offer bundles, you need to offer them in a way that won't hurt you. If someone comes to your site and sees only the (relatively) high priced bundles many will immediately hit the back button. A landing page is not a conversation where you can react and steer it the way you want, it's more take it or leave it and needs to be handled carefully.



Appendix – New Fast Food Combo Menus That Show Bundle & Entree Pricing:

There are a few things hurting the fast food guys right now. They're getting heat about the calories and reducing sizes, which makes some of the bundles less attractive. Their target market, young adults, a big percentage of which used to eat fast food 3–5 times a week, has less money to spend. They've figured out that it's cheaper to order from the a la carte "dollar" or value menus that were introduced during the last recession.



Appendix – New Fast Food Combo Menus That Show Bundle & Entree Pricing:

So now they are discounting the bundles more aggressively. Comparing the sandwich price to the combo price is a good way to highlight the value in the combo. This is where it starts to get really different from flowers. If you are eating fast food 3-5 times a week you are probably very sensitive to price, and will notice changes. Most people don't buy flowers that often and will be less attuned to details and small changes.