

The Secrets of Product Bundling

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Point-of-Sale | eCommerce | Mobile

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Why bundle?

There remains a certain stigma around buying items in bundles. The consumer might be thinking, “This can’t be a real deal – the seller wouldn’t want me to actually save money, right?”



Wrong! This type of business transaction benefits both the consumer and the seller. The consumer gets the immediate benefit of getting more than one item for a lesser price than the two items would have been if bought in separate transactions.

They feel gratitude and more excitement towards the shopping experience increasing shopper retention and sales. Creating an experience that consumers will value and enjoy is the job of the seller and the business. The seller benefits by getting the consumer to purchase several items rather than just one or two. Offering customers several products at a valued price is important in the modern retail environment.

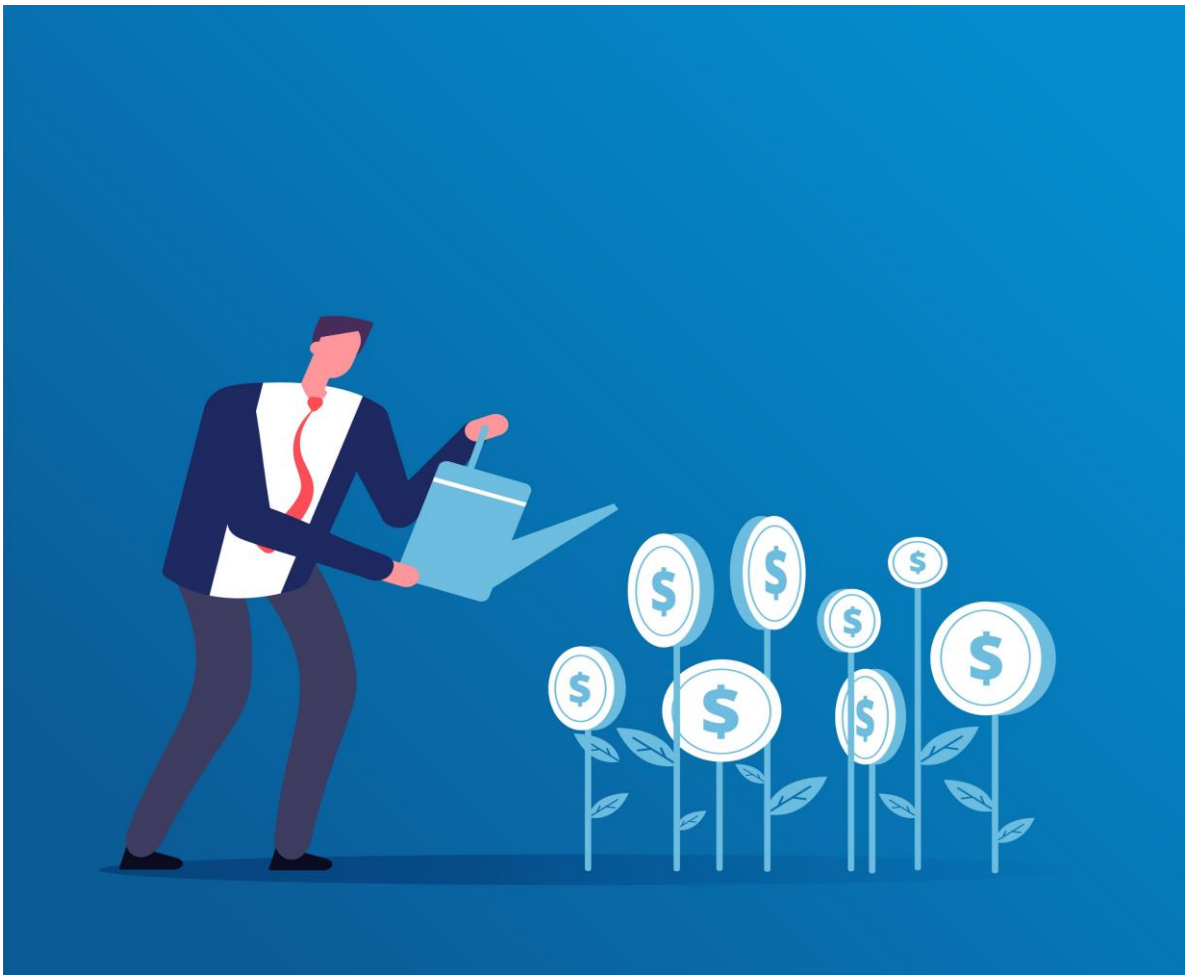
- Businesses can quickly increase their inventory turnover rates by combining fast-moving products with ones that otherwise have a slow turnover rate.
- Customer satisfaction increases because the customer sees their purchase as having a greater value but also as a result of greater utility when complementary products are included.
- Product bundling also increases customer retention – if your customer got a good deal on a product bundle, they’re more likely to come back to see what other products you have to offer.

Bundling also offers the customer endless personalized or customizable options. When items are offered as solo or combo items, consumers are given the freedom to choose which products they want the most. This gives the consumer confidence and control over their transaction. Research has shown that customers appreciate customizable offers more than regular offers and are more likely to purchase additional products. eCommerce allows for hundreds of consumer doors to open. Our consumers are essentially global because the eCommerce markets can be reached by all corners of the world. Opening your doors so widely can be useful, but attracting loyal customers is more valuable to your company's success.



Bundling is one of the most widely used strategies across retail. You can find it in any type of business from banks through eCommerce to travel. A common form of bundling used in banks is how consumers are told to keep a minimum balance in their accounts. In exchange, they will have access to free checks, a lowered borrowing rate or an increased savings rate. This ensures that customers have several stakes in the business, therefore leaving the bank for a competitor would be pointless and inconvenient. Creating a similar experience for your consumers should be your business' top priority.

When executed correctly, bundles increase revenue for your business while also having a positive impact on average order values. Product bundling also increases consumer understanding and usefulness of your products.



Why now?



The rise of eCommerce made product bundling more relevant than ever. If you offer a well-tailored product combination and / or the customer sees huge savings, they will buy the bundle. Bundles augment the perceived value of your inventory and leave a better psychological impression than a single product. Even if certain elements of the bundle are not necessary to your customers, they might still feel the pull to purchase as it implies savings.

This can effectively increase average purchase value; a case study from Tatvic Analytics saw an average boost of $12 per order in the first 15 days of implementing bundles.

For these bundles, however, to reach the desired effect, there must be a strategy involved: pair items of similar value and products that complement each other.

Product recommendations are responsible for an average of 10-30% of eCommerce site revenues according to Forrester Research analyst Sucharita Mulpuru.

Creating bundles that go well together can result in superior customer experience. Highly satisfied customers can increase retention by 5% and sales by up to 25%. The opportunities you make available can significantly influence how and why customers enjoy their time shopping with you. According to Epsilon Research, 90 percent of consumers find personalization appealing and 80 percent are more likely to make a purchase if they're presented with customized offers.

If you need more proof as to why retaining customers is so valuable, a Harvard Business Review blog showed increasing customer retention rates by 5% increases profits by 25% up to 95%.

How to Promote a Bundle Sale

The sale needs to be prominently displayed in your store. It can't be hidden in a dark corner at the back. How many times have you walked by a storefront and noticed a sale was going on, and went in to check it out? The bundle sale doesn't necessarily have to be displayed in the front window, but close enough to the front that it's one of the first things the customers see when they walk through your doors. Any and all signage needs to look professional, not just construction paper with words written in Sharpie. Your signage must look like you care about what you're selling. If you don't care, how will your customers care?

The signage must look brand new. A sign that looks old makes the sale look old. Customers will notice that the sale has been going on for a long time and will hold out for a better deal. Or worse, they will think the sale has been going on for a long time because the product is undesirable.



When the promotional material looks new, you can still advertise it as a "limited time only" product. This will trigger FOMO, or Fear Of Missing Out, especially to the newer generations that have to keep up with the new products that hit the market. Another way to promote your sale is to send mobile notifications via text or email. This is something that is almost a necessity in this day and age. Almost everyone has a mobile device and uses it as their main source of information. This method of advertising lets your customers know ahead of time that:

A) There is a sale going on,

B) What items are included

C) How long the sale will last.

Remember that not all of your customers are coming to your store every day. If don't tell them that a sale is happening, they won't know about it. It's a classic "out of sight out of mind" scenario. A few email or text notifications per month will keep your customers thinking about your store and any sales that are coming up.

Examples of Bundles

There are two types of bundles: Customer-made, and Store-made. A customer-made bundle is when you offer a special deal on like items that customers can purchase and build themselves. This adds a personal value because the customer can pick and choose what goes into their bundle. A good example of a customer-made bundle is if a customer walks into a camping store and sees that the store is having a sale that states if you buy a backpack for retail price, anything you can fit into the backpack is 10% off.

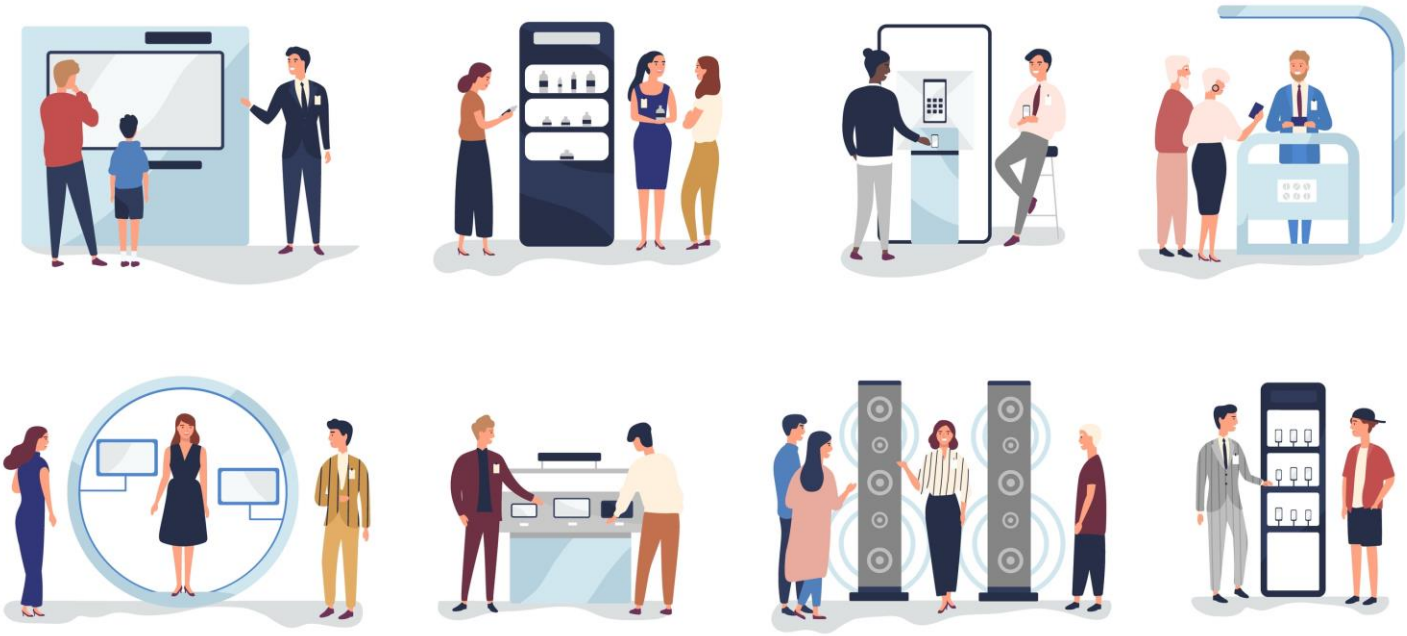
The customer perceives they are getting a great deal since there is a discount included. There is an additional value added because the customer gets to choose the individual elements of the bundle.

Most of the time, the discount on a customer made bundle doesn't need to be high because the customer is picking out items they would've purchased anyway.



A store-made bundle is one that is predetermined by the store. They are prepackaged together with like items that are sold for a set dollar amount, and usually marketed with words like "special" and "limited". A good example of a store-made bundle is a store that is selling a lot of iPhones, but the accessories for them aren't selling nearly as well. That store could bundle the iPhone and the accessories together and offer them for a special rate.

The same strategy could be applied to musical instruments. For example, the store could be selling guitars no problem, but could be having a hard time selling the accessories that go with it. So the store could sell a “starter bundle” that could include the guitar, amp, strings, case, and strap for a special price. When utilizing this strategy, it is wise to offer a larger discount to help the consumer perceive the bundle as a better deal. Store-made bundles are more of a benefit to the store because they help to move otherwise slow-moving merchandise. Customers are generally attracted to them because of the convenience, but also expect a higher discount given the lack of customization.



Last, But Not Least

Product bundling is an easy and quick way to increase your inventory turnover rate and customer satisfaction which, in the long run, increases customer retention and has a positive impact on returns. Make sure to bundle items of similar value and products that complement each other. If you sell a product that your customers are likely to buy multiple times, offer more of those in the same bundle. If you sell a product that is not bought multiple times and has no real complementary products that you can offer with it, try adding a gift card to the bundle.

For more information, including marketing ideas, industry trends, and great tools you can use to grow and manage your business, please visit us online at BravoPawnSystems.com.

